NEW STAR INVESTMENT TRUST PLC

REPORT AND ACCOUNTS
For the year ended 30th June 2017

CONTENTS

INVESTMENT OBJECTIVE

The Company's objective is to achieve long-term capital growth.

THIS DOCUMENT IS IMPORTANT and, if you are a holder of Ordinary shares requires your attention. If you are in doubt as to what action to take you should seek advice from your own independent personal financial advisor. If you have sold or otherwise transferred all of your Ordinary shares in the capital of the Company you should send this document and the accompanying Form of Proxy immediately to the purchaser or transferee; or to the stockbroker, bank or other agent through whom the sale or transfer was effected.

The Company's shares are traded on the London Stock Exchange and are not subject to restriction under the **Financial Conduct Authority**'s non-mainstream investment products regime.

REGISTERED OFFICE
1 Knightsbridge Green, London, SW1X 7QA
Company Number: 03969011

COMPANY INFORMATION

DIRECTORS

G Howard-Spink (Chairman)
J L Duffield (Deputy Chairman)
M J Gregson

INVESTMENT MANAGER

Brompton Asset Management LLP
1 Knightsbridge Green, London SW1X 7QA
(Authorised and regulated by the Financial Conduct Authority)

SECRETARY AND ADMINISTRATOR

Maitland Administration Services Limited
Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW
Telephone: 01245 398950 Facsimile: 01245 398951

SOLICITORS

CMS Nabarro Olswang LLP
Cannon Place, 78 Cannon Street
London EC4N 6AF

AUDITORS

Ernst & Young LLP
25 Churchill Place, London E14 5EY

CUSTODIAN

Brown Brothers Harriman & Co
Park House, 16 – 18 Finsbury Circus, London EC2M 7EB

REGISTRARS

Equiniti Limited
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone: 0371 384 2549
Website: shareview.co.uk

WEBSITE

www.nsitplc.com

The Company's shares are traded on the London Stock Exchange and their prices are shown in the Financial Times under "Investment Companies".

BOARD OF DIRECTORS

Geoffrey Howard-Spink (Chairman)* was one of the founders in 1981 of Lowe Group Limited, one of the UK's biggest advertising groups. He was Chairman of Immedia Group PLC and a director of Chrysalis. Mr Howard-Spink was appointed Chairman of the Company with effect from 13th May 2009.

John L Duffield (Deputy Chairman) is the Senior Partner of Brompton Asset Management Group LLP. Mr Duffield was Chairman of New Star Asset Management Group PLC between 2000 and April 2009. Prior to founding New Star, Mr Duffield was the founder and chief executive of Jupiter International Group from 1985 to 2000.

Marcus Gregson* was deputy chairman of Sand Aire, a leading family office, up to the end of 2010. Prior to Sand Aire he was chief executive of HSBC Private Bank (UK) for over 16 years. He is a director of All Star Leisure (Group) Limited. Mr Gregson was appointed chairman of the Company's Audit Committee with effect from 2nd September 2009.

* *Members of the Audit Committee*

STRATEGIC REPORT

for the year ended 30th June 2017

FINANCIAL HIGHLIGHTS

	30th June 2017	30th June 2016	% Change
PERFORMANCE			
Net assets (£ '000)	**105,056**	89,274	17.7
Net asset value per Ordinary share	**147.92p**	125.70p	17.7
Mid-market price per Ordinary share	**105.00p**	76.00p	38.2
Discount of price to net asset value	**29.0%**	39.5%	n/a
Total Return*	**17.9%**	12.1%	n/a
IA Mixed Investment 40% - 85% Shares (total return)	**16.5%**	2.2%	n/a
MSCI AC World Index (total return, sterling adjusted)	**22.9%**	13.9%	n/a
MSCI UK Index (total return)	**16.7%**	3.4%	n/a

	1st July 2016 to 30th June 2017	1st July 2015 to 30th June 2016
REVENUE RETURN		
Return per Ordinary share	**1.14p**	0.27p
Proposed Dividend per Ordinary share	**0.80p**	0.30p
Dividend paid per Ordinary share	**0.30p**	0.30p
CAPITAL RETURN		
Return per Ordinary share	**21.38p**	13.29p
TOTAL RETURN*	**17.9%**	12.1%

* The total return figure for the Group represents the revenue and capital return shown in the consolidated statement of Comprehensive income before dividends paid (the Alternative performance measure).

STRATEGIC REPORT

for the year ended 30th June 2017

CHAIRMAN'S STATEMENT

PERFORMANCE

Your Company's total return was 17.9% over the year to 30th June 2017. This took the year-end net asset value ('NAV') per ordinary share to 147.92p. By comparison, the Investment Association's Mixed Investment 40-85% Shares index gained 16.5%. Your Directors believe this benchmark is appropriate because your Company has, since inception, been invested in a broad range of asset classes. Equity markets generated positive returns, with overseas performance enhanced in sterling terms as a result of the pound's fall against the dollar and the euro. The MSCI AC World Total Return and MSCI UK Total Return Indices gained 22.9% and 16.7% respectively while UK government bonds fell 1.0%. Further information is provided in the investment manager's report.

EARNINGS AND DIVIDEND

The revenue return for the year was 1.14p per share (2016: 0.27p).

Your Company has a revenue surplus in its retained revenue reserve, enabling it to pay a dividend. Your directors recommend the payment of a final dividend in respect of the year of 0.8p per share (2016: 0.3p).

OUTLOOK

Inflation rises are likely to be modest over the coming months and, as a result, the pace of monetary tightening by the world's major central banks is likely to be slow. Such an environment would benefit equities at the expense of fixed income securities. In response, your Company began the new financial year with the majority of its assets in equity funds and with no direct investments in bond funds. Within the equity holdings, the focus was on Europe excluding the UK and the Asia-Pacific region because such markets appeared modestly valued relative to the US.

Should equity market prospects deteriorate as a result of significantly weaker economic growth, the Company's investments in cash, gold equities and lower-risk assets should offer some diversification and a measure of defensiveness during periods of stress in markets. The pattern of steady economic growth and relatively low inflation is, however, likely to be sustained over the coming months.

CASH AND BORROWINGS

Your Company has no borrowings and ended its financial year with cash representing 12.8% of its net asset value. Your Company is likely to maintain a significant cash position.

The Company is a small registered Alternative Investment Fund Manager under the European Union directive. The Company's assets now exceed the threshold of 100 million euros. As a result, should it wish to borrow it would require a change in regulatory permissions.

STRATEGIC REPORT

for the year ended 30th June 2017

CHAIRMAN'S STATEMENT CONTINUED

DISCOUNT

Your Company's shares continued to trade at a significant albeit narrowing discount to their NAV during the year under review. Your directors have discussed various options with a view to reducing this discount but no satisfactory solution has yet been found. This position is, however, kept under continual review by the board.

BOARD CHANGES

Marcus Gregson will be retiring from the board of your Company at the end of the Board meeting to approve the Report and Accounts after serving for more than 10 years as a director and eight years as chairman of our audit committee. We would like to thank Marcus for his contribution and counsel during his tenure as a director.

Following Marcus's retirement, we intend to ask shareholders to elect David Gamble as a director of your Company. David was chief executive of British Airways Pension Investment Management from 1993 to 2004. He has also served as a director of numerous financial services companies including a number of investment companies.

ANNUAL MEETING

The Annual General Meeting will be held on Thursday, 16th November 2017 at 11am. The Notice of the Meeting can be found on pages 70 to 74.

NET ASSET VALUE

Your Company's unaudited net asset value per share at 31st August 2017 was 151.72p.

Geoffrey Howard-Spink
Chairman
15th September 2017

STRATEGIC REPORT

for the year ended 30th June 2017

INVESTMENT MANAGER'S REPORT

MARKET REVIEW

The US, the UK and the eurozone experienced modest rises in retail prices during the Company's financial year to 30th June 2017. In July 2017, US and eurozone core inflation was 1.7% and 1.2% respectively, significantly above the rate in June 2016 although below the central bank target rates of 2%. In the UK, core inflation was 2.6%, which was above the Bank of England's 2% target. Inflation has been fuelled by price increases in 2016 for commodities such as oil feeding through into year-on-year comparisons. In the UK, the situation has been exacerbated by the pound's fall and the resultant increase in the cost of imported goods.

Prices have risen but wage growth remains subdued despite US and UK unemployment falling to historically low levels. There has been much debate on the reason for workers' apparent lack of bargaining power. Commentators have attributed the absence of wage pressure to factors such as greater self-employment and less unionisation and technological advances. In the UK, higher inflation may lead to a consumer spending squeeze. UK consumers have not as yet significantly reined in their spending, leading to a fall in the savings ratio.

In response to steady economic growth and resurgent inflation, the Federal Reserve has slowly tightened monetary policy, increasing interest rates three times during the year under review. In addition, Federal Open Markets Committee members have discussed plans to reduce the size of the Fed balance sheet progressively from late 2017 onwards. The European Central Bank is committed to its asset-purchase programme until 2018 and to maintaining current interest rates until some time thereafter. An interest rate rise is, however, expected from mid-2018 onwards. Brexit uncertainty has stayed the Bank of England's hand so far but it did not deter a minority of Monetary Policy Committee members from voting to raise rates in their meetings in June and August. UK government bond investors may begin to anticipate tighter monetary policy as the weak pound lifts the prices of imported goods, leading to falls for longer-dated gilts.

The position of the eurozone countries improved during the year under review, both in political terms following the election of centrist candidates in Holland and France and from an economic standpoint. Eurozone gross domestic product (GDP) increased by 0.6% in the second quarter of 2017, outperforming the UK's 0.3% rise. The eurozone economic recovery has lagged the US and the UK since the credit crisis. This is partly because the eurozone's federal structure made it difficult for the European Central Bank (ECB) to achieve a consensus in favour of quantitative easing until several years after the US and UK central banks adopted such policies. Eurozone unemployment has fallen, however, and the region has a current account surplus and, encouragingly, would do so even if the German contribution were excluded from the numbers. This has supported the euro, which rose against both the dollar and sterling during the year under review.

In the UK, Theresa May's miscalculation in calling a general election was laid bare by the loss of the Conservatives' House of Commons majority as voters' austerity-fatigue took precedence over the issues of Brexit and the economy. Political expediency dictated the terms of the subsequent "confidence and supply" agreement with the Democratic Unionist Party (DUP),which includes a commitment to increase Northern Irish public spending by £1 billion in return for the support of the DUP's 10 MPs on matters relating to the budget, defence and Brexit. The deal extends until May 2019 when the government may be forced to accede to further DUP demands to avoid a general election. With Brexit negotiations underway, the UK's stance has been more conciliatory than expected but the likely terms of any agreement remain unclear.

STRATEGIC REPORT

for the year ended 30th June 2017

INVESTMENT MANAGER'S REPORT CONTINUED

In the US, investor optimism following Donald Trump's election as president has reduced. His policies of tax cuts, increased infrastructure spending and business deregulation should prove expansionary at a time when the economy is already growing steadily. In August 2017, Trump's failure to repeal Obamacare to fund his planned fiscal stimulus cast doubt, however, on his ability to deliver on his election pledges. Rising tensions with North Korea created further political uncertainty.

PORTFOLIO REVIEW

Your Company's total return for the year under review was 17.92%. By comparison, the Investment Association's Mixed Investment 40-85% Shares Index, which measures a peer group of funds with a multi-asset approach to investing and a typical investment in global equities in the 40-85% range, rose 16.53%. The MSCI AC World Total Return Index gained 22.90% in sterling terms while the MSCI United Kingdom Total Return Index rose 16.73%.

The gentle rise in inflation from low levels proved a benign environment for global equities and the Company's majority allocation to equity funds benefited returns. In particular, the significant investment in income-orientated funds throughout the year has enabled your Company to pay an increased dividend to shareholders for the 2016-17 financial year. Global bonds returned only 0.67% in sterling. During the year, the Company had no direct investments in global bonds, which may fall if inflation and interest rates rise further.

Diversification was achieved through a significant allocation to cash held in dollars and investments in gold equities and the EF Brompton Global Conservative Fund. The dollar gained 2.91% against sterling during the year. The Company's investment in BlackRock Gold & General, however, fell 13.78%. Gold equities provide a geared exposure to the bullion price, which fell 4.23% during the year because the opportunity cost to investors of holding a nil-yielding investment increases when interest rates rise. The gold price had, however, recovered between the Company's year-end and 31st August 2017 because of its safe-haven attractions in the face of North Korean sabre-rattling.

Amongst your Company's global equity funds, Fundsmith Equity and Artemis Global Income outperformed, gaining 25.01% and 24.80% respectively. The more defensively-positioned Newton Global Income holding lagged, rising 16.34%, but Polar Capital Global Technology gained 42.18% as technology shares outperformed.

The eurozone's improved economic performance contributed to a 28.99% gain for equities in Europe excluding the UK in sterling. The euro gained 5.66% against the pound, buoying returns for sterling investors. Your Company benefited from its significant holdings in Europe ex-UK markets including the FP Crux European Special Situations and Standard Life European Equity Income. The change in equity market leadership during the first half of the Company's financial year in favour of more cyclical "value" stocks proved a headwind for FP Crux European Special Situations, your Company's largest holding. The euro-denominated Aquilus Inflection fund, which takes both positive and negative positions in European equities, gained 11.38%.

UK equities gained 16.73%, with smaller companies, up 29.11%, outperforming larger peers as the economy grew more strongly than anticipated after the European Union referendum. The Aberforth Geared Income investment trust, which has a small company focus, was the Company's best performer, rising 47.00% as the underlying portfolio rose strongly and the trust's discount to net asset value narrowed ahead of the planned wind-up on 30 June. The Company's investment has been rolled over into the successor vehicle, Aberforth Split

STRATEGIC REPORT

for the year ended 30th June 2017

INVESTMENT MANAGER'S REPORT CONTINUED

Level Income. Man GLG UK Income also did well, rising 35.74% thanks to its mid-cap "value" focus. By contrast, Trojan Income gained only 11.36%, held back by its bias towards large companies, which lagged the market.

Asian emerging markets outperformed as fears of US protectionism subsided and the pace of monetary policy tightening proved to be gradual. Equities in Asia excluding Japan and emerging markets gained 30.76% and 27.79% respectively in sterling. Emerging markets appeared attractive to investors on valuation grounds compared to developed markets. Within the portfolio, Wells Fargo China and Neptune Russia & Greater Russia did best, rising 29.72% and 29.07% respectively although Wells Fargo China underperformed the Chinese stockmarket.

In July 2016, the Company invested in the unquoted Embark Group, a leading personal pension and small self-administered pension scheme administrator through its Hornbuckle and Rowanmoor brands. Additional shares in Embark were acquired through a placing of new shares in April to fund an acquisition.

The Company's US equity allocation increased through purchases of the SPDR S&P 500 and iShares S&P 500 Financials exchange-traded funds (ETFs) in November following Trump's election with a mandate for fiscal expansion. The iShares S&P 500 Financials ETF should benefit from the improving profitability of US financial companies as interest rates rise. Their prospects may be further enhanced if Trump's plans for financial deregulation come to fruition.

OUTLOOK

Inflation trends will have a significant influence on financial markets over the coming months. Equities and other real assets should benefit if inflation continues to rise slowly from subdued levels and the pace of monetary tightening is gradual. Conversely, longer-duration assets such as longer-dated bonds could post losses if inflation continues to rise. The Company ended the year under review positioned for this environment, with a majority allocation to equity funds and no direct investments in bonds or bond funds.

Some equity markets such as the US were trading at the start of the current financial year on high valuations compared to historical standards. The strongest potential for further gains may, therefore, exist in lowly-valued markets where central bank monetary policy is accommodative such as in Europe ex-UK, emerging markets and Japan. The Company began the current financial year with significant holdings in Europe excluding the UK and the Asia-Pacific region.

It is possible that deflationary forces such as the growth in self-employment and technological change may hold inflationary pressures at bay. The lack of wage inflation despite historically low unemployment in the US and UK supports this view for now. The Company's investments in cash, gold equities and EF Brompton Global Conservative should provide diversification and may prove defensive should the rise in inflation falter. The recent environment of high equity valuations, moderate economic growth and low inflation may, however, persist for some time.

Brompton Asset Management LLP
Investment Manager
15th September 2017

STRATEGIC REPORT

at 30th June 2017

SCHEDULE OF TWENTY LARGEST INVESTMENTS

Holding	Activity	Bid-market value £'000	30th June 2017 Percentage of invested portfolio
FP Crux European Special Situations Fund	Investment Fund	10,918	11.90
Fundsmith Equity Fund	Investment Fund	9,014	9.83
Newton Global Income Fund	Investment Fund	5,524	6.02
Aberforth Split Level Income Trust	Investment Company	4,898	5.34
Polar Capital - Global Technology Fund	Investment Fund	4,208	4.59
EF Brompton Global Conservative Fund	Investment Fund	4,014	4.38
Artemis Global Income Fund	Investment Fund	3,930	4.28
Aquilus Inflection Fund	Investment Fund	3,364	3.67
BlackRock Gold & General Fund	Investment Fund	3,223	3.51
Embark Group	Unquoted Investment	3,130	3.41
Liontrust Asia Income Fund	Investment Fund	2,777	3.03
Man GLG UK Income Fund	Investment Fund	2,732	2.98
Lindsell Train Japanese Equity Fund	Investment Fund	2,694	2.94
EF Brompton Global Opportunities Fund	Investment Fund	2,652	2.89
EF Brompton Global Growth Fund	Investment Fund	2,515	2.74
EF Brompton Global Equity Fund	Investment Fund	2,508	2.73
MI Brompton UK Recovery Trust	Investment Fund	2,496	2.72
Trojan Income Fund	Investment Fund	2,449	2.67
Stewart Investors Indian Subcontinent Fund	Investment Fund	2,436	2.66
EF Brompton Global Income Fund	Investment Fund	2,215	2.41
		77,697	84.70
Balance held in 20 investments		14,033	15.30
Total investments		91,730	100.00

The investment portfolio can be further analysed as follows:

	£'000
Investment funds	78,326
Investment companies and exchange traded funds	7,920
Other quoted investments	674
Unquoted investments, including loans of £250,000	4,810
	91,730

STRATEGIC REPORT

at 30th June 2016

SCHEDULE OF TWENTY LARGEST INVESTMENTS

Holding	Activity	Bid-market value £ '000	30th June 2016 Percentage of invested portfolio
FP Crux European Special Situations Fund	Investment Fund	9,803	12.34
Fundsmith Equity Fund	Investment Fund	8,106	10.20
Newton Global Income Fund	Investment Fund	6,417	8.07
BlackRock Gold & General Fund	Investment Fund	4,796	6.04
EF Brompton Global Conservative Fund	Investment Fund	3,669	4.62
Aberforth Geared Income Trust	Investment Company	3,361	4.23
Artemis Global Income Fund	Investment Fund	3,254	4.09
First State Indian Subcontinent Fund	Investment Fund	2,904	3.65
Polar Capital Global Technology Fund	Investment Fund	2,868	3.61
Aquilus Inflection Fund	Investment Fund	2,779	3.50
Liontrust Asia Income Fund	Investment Fund	2,338	2.94
Trojan Income Fund	Investment Fund	2,286	2.88
EF Brompton Global Opportunities Fund	Investment Fund	2,259	2.84
Lindsell Train Japanese Equity Fund	Investment Fund	2,170	2.73
Man GLG UK Income Fund	Investment Fund	2,163	2.72
Neptune Russia & Greater Russia Fund	Investment Fund	2,162	2.72
EF Brompton Global Growth Fund	Investment Fund	2,158	2.72
EF Brompton Global Equity Fund	Investment Fund	2,044	2.57
EF Brompton Global Income Fund	Investment Fund	2,015	2.54
MI Brompton UK Recovery Trust	Investment Fund	1,958	2.46
		69,510	87.47
Balance held in 16 investments		9,957	12.53
Total investments		79,467	100.00

The investment portfolio can be further analysed as follows:

	£ '000
Investment funds	74,085
Investment companies and exchange traded funds	3,361
Other quoted investments	441
Unquoted investments	1,580
	79,467

STRATEGIC REPORT

for the year ended 30th June 2017

STRATEGIC REVIEW

The Strategic Review is designed to provide information primarily about the Company's business and results for the year ended 30th June 2017. The Strategic Review should be read in conjunction with the Chairman's Statement on pages 6 and 7 and the Investment Manager's Report on pages 8 to 10, which provide a review of the year's investment activities of the Company and the outlook for the future.

STATUS

The Company is an investment company under section 833 of the Companies Act 2006. It is an Approved Company under the Investment Trust (Approved Company) (Tax) Regulations 2011 (the 'Regulations') and conducts its affairs in accordance with those Regulations so as to retain its status as an investment trust and maintain exemption from liability to United Kingdom capital gains tax.

The Company is a small registered Alternative Investment Fund Manager under the European Union Directive.

INVESTMENT OBJECTIVE AND POLICY

Investment Objective

The Company's investment objective is to achieve long-term capital growth.

Investment Policy

The Company's investment policy is to allocate assets to global investment opportunities through investment in equity, bond, commodity, real estate, currency and other markets. The Company's assets may have significant weightings to any one asset class or market, including cash.

The Company will invest in pooled investment vehicles, exchange traded funds, futures, options, limited partnerships and direct investments in relevant markets. The Company may invest up to 15% of its net assets in direct investments in relevant markets.

The Company will not follow any index with reference to asset classes, countries, sectors or stocks. Aggregate asset class exposure to any one of the United States, the United Kingdom, Europe ex UK, Asia ex Japan, Japan or Emerging Markets and to any individual industry sector will be limited to 50% of the Company's net assets, such values being assessed at the time of investment and for funds by reference to their published investment policy or, where appropriate, the underlying investment exposure.

The Company may invest up to 20% of its net assets in unlisted securities (excluding unquoted pooled investment vehicles) such values being assessed at the time of investment.

STRATEGIC REPORT

for the year ended 30th June 2017

STRATEGIC REVIEW CONTINUED

The Company will not invest more than 15% of its net assets in any single investment, such values being assessed at the time of investment.

Derivative instruments and forward foreign exchange contracts may be used for the purposes of efficient portfolio management and currency hedging. Derivatives may also be used outside of efficient portfolio management to meet the Company's investment objective. The Company may take outright short positions in relation to up to 30% of its net assets, with a limit on short sales of individual stocks of up to 5% of its net assets, such values being assessed at the time of investment.

The Company may borrow up to 30% of net assets for short-term funding or long-term investment purposes.

No more than 10%, in aggregate, of the value of the Company's total assets may be invested in other closed-ended investment funds except where such funds have themselves published investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds.

Information on the Company's portfolio of assets with a view to spreading investment risk in accordance with its investment policy is set out on page 11.

FINANCIAL REVIEW

Net assets at 30th June 2017 amounted to £105,056,000 compared with £89,274,000 at 30th June 2016. In the year under review, the NAV per Ordinary share increased by 17.7% from 125.70p to 147.92p.

The Group's gross revenue rose to £1,715,000 (2016: £944,000). Last year the Company decided to increase its investment in income focused funds resulting in a significant increase in gross income during the year under review (2016: £nil). After deducting expenses and taxation the revenue profit for the year was £810,000 (2016: £193,000).

Total expenses for the year amounted to £898,000 (2016: £751,000). In the year under review the investment management fee amounted to £622,000 (2016: £509,000). No performance fee was payable in respect of the year under review as the Company has not outperformed the cumulative hurdle rate. Further details on the Company's expenses may be found in notes 3 and 4.

Dividends have not formed a central part of the Company's investment objective. The increased investment in income focused funds has enabled the Directors to declare an increased dividend. The Directors propose a final dividend of 0.8p per Ordinary share in respect of the year ended 30th June 2017 (2016: 0.3p). If approved at the Annual General Meeting, the dividend will be paid on 30th November 2017 to shareholders on the register at the close of business on 17th November 2017 (ex-dividend 16th November 2017).

The primary source of the Company's funding is shareholder funds.

While the future performance of the Company is dependent, to a large degree, on the performance of international financial markets, which in turn are subject to many external factors, the Board's intention is that the Company will continue to pursue its stated investment objective in accordance with the strategy outlined

STRATEGIC REPORT

for the year ended 30th June 2017

STRATEGIC REVIEW CONTINUED

above. Further comments on the short-term outlook for the Company are set out in the Chairman's Statement on pages 6 and 7 and the Investment Manager's report on pages 8 to 10.

Throughout the year the Group's investments included seven funds managed by the Investment Manager (2016: seven). No investment management fees were payable directly by the Company in respect of these investments.

PERFORMANCE MEASUREMENT AND KEY PERFORMANCE INDICATORS

In order to measure the success of the Company in meeting its objectives, and to evaluate the performance of the Investment Manager, the Directors review at each meeting: net asset value, income and expenditure, asset allocation and attribution, share price of the Company and the discount. The Directors take into account a number of different indicators as the Company does not have a formal benchmark, and performance against these is shown in the Financial Highlights on page 5.

Performance is discussed in the Chairman's Statement and Investment Manager's Report on pages 6 to 10.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks identified by the Board, and the steps the Board takes to mitigate them, are as follows:

Investment strategy

Inappropriate long-term strategy, asset allocation and manager selection could lead to underperformance. The Board discusses investment performance at each of its meetings and the Directors receive reports detailing asset allocation, investment selection and performance.

Business conditions and general economy

The Company's future performance is heavily dependent on the performance of different equity and currency markets. The Board cannot mitigate the risks arising from adverse market movements. However, diversification within the portfolio will reduce the impact. Further information is given in portfolio risks below.

Portfolio risks - market price, foreign currency and interest rate risks

The twenty largest investments are listed on page 11. Investment returns will be influenced by interest rates, inflation, investor sentiment, availability/cost of credit and general economic conditions in the UK and globally. A proportion of the portfolio is in investments denominated in foreign currencies and movements in exchange rates could significantly affect their sterling value. The Investment Manager takes all these factors into account when making investment decisions but the Company does not normally hedge against foreign currency movements. The Board's policy is to hold a spread of investments in order to reduce the impact of the risks arising from the above factors by investing in a spread of asset classes and geographic regions.

STRATEGIC REPORT

for the year ended 30th June 2017

STRATEGIC REVIEW CONTINUED

Net asset value discount

The discount in the price at which the Company's shares trade to net asset value means that shareholders cannot realise the real underlying value of their investment. Over the last few years the Company's share price has been at a significant discount to the Company's net asset value. The Directors review regularly the level of discount, however given the investor base of the Company, the Board is very restricted in its ability to control the discount to net asset value.

Investment Manager

The quality of the team employed by the Investment Manager is an important factor in delivering good performance and the loss of key staff could adversely affect returns. A representative of the Investment Manager attends each Board meeting and the Board is informed if any changes to the investment team employed by the Investment Manager are proposed.

Tax and regulatory risks

A breach of The Investment Trusts (Approved Companies) (Tax) Regulations 2011 (the 'Regulations') could lead to capital gains realised within the portfolio becoming subject to UK capital gains tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of company law could lead to criminal proceedings, financial and/or reputational damage. The Board employs Brompton Asset Management LLP as Investment Manager, and Maitland Administration Services Limited as Secretary and Administrator, to help manage the Company's legal and regulatory obligations.

Operational

Disruption to, or failure of, the Investment Manager's or Administrator's accounting, dealing or payment systems, or the Custodian's records, could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service. How the Board monitors its service providers is set out in the Corporate Governance Report on pages 25 to 28.

The Directors confirm that they have carried out an assessment of the risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity.

VIABILITY STATEMENT

The assets of the Company consist mainly of securities that are readily realisable or cash and it has no significant liabilities. Investment income exceeds annual expenditure and current liquid net assets cover current annual expenses for many years. Accordingly, the Company is of the opinion that it has adequate financial resources to continue in operational existence for the long term which is considered to be in excess of five years. Five years is considered a reasonable period for investors when making their investment decisions. In reaching this view the Directors reviewed the anticipated level of annual expenditure against the cash and liquid assets within the portfolio. The Directors have also considered the risks the Company faces.

STRATEGIC REPORT

for the year ended 30th June 2017

STRATEGIC REVIEW CONTINUED

ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES

The Company has no employees, with day-to-day management and administration of the Company being delegated to the Investment Manager and the Administrator. The Company's portfolio is managed in accordance with the investment objective and policy; environmental, social and community matters are considered to the extent that they potentially impact on the Company's investment returns. Additionally, as the Company has no premises, properties or equipment, it has no carbon emissions to report on.

The Company has sought, wherever possible, and been provided with assurance from each of its main suppliers, that no slaves, forced labour, child labour, or labour employed at rates of pay below statutory minimums for the country of their operations, are being employed in the provision of services to the Company.

GENDER DIVERSITY

The Board of Directors comprises three male directors. The Board recognises the benefits of diversity, however, the Board's primary consideration when appointing new directors is their knowledge, experience and ability to make a positive contribution to the Board's decision making regardless of gender.

APPROVAL STATEMENT

The Strategic Report of the Company, comprising the information contained on pages 5 to 17 of this Report & Accounts was approved by the Board and signed on its behalf by:

Geoffrey Howard-Spink
Chairman
15th September 2017

DIRECTORS' REPORT

for the year ended 30th June 2017

DIRECTORS' REPORT

The Directors present the audited accounts of the Company and their report for the year ended 30th June 2017.

STATUS

The Company is a public limited company incorporated and registered in England and Wales and is domiciled in the United Kingdom. The Company number is 03969011.

The Company is an investment company under section 833 of the Companies Act 2006. It is an Approved Company under the Investment Trust (Approved Company) (Tax) Regulations 2011 (the 'Regulations') and conducts its affairs in accordance with those Regulations so as to continue to gain exemption from liability to United Kingdom capital gains tax.

The Company is listed on the London Stock Exchange and adheres to the Listing Rules issued by the UK Listing Authority, and the Disclosure and Transparency Rules issued by the Financial Conduct Authority.

The Company has been approved by the Financial Conduct Authority to be a small registered Alternative Investment Fund Manager under the European Union Directive.

DIRECTORS

Board composition

The names and biographies of the Directors are given on page 4. The Articles of Association provide that the total number of Directors shall be not less than two nor more than ten.

No Director has a contract of employment with the Company. Directors' terms of appointment are set out in letters of appointment which are available for inspection at the registered office of the Company and will be available at the Annual General Meeting ('AGM').

The following Directors, all of whom are non-executive, served throughout the year:

	Date of appointment as a Director
G Howard-Spink (Chairman)	13th April 2000
J L Duffield	13th April 2000
M J Gregson	1st December 2006

Mr Marcus Gregson will be retiring from the Board at the end of the Board meeting to approve the Report and Accounts. A resolution to appoint Mr David Gamble will be put to the AGM.

During the year under review the Company did not arrange insurance cover in respect of legal action against the Directors, as it was considered that the premium would not constitute good value to shareholders. The Directors are indemnified by the Company against all liabilities, except where prohibited by law.

DIRECTORS' REPORT

for the year ended 30th June 2017

DIRECTORS CONTINUED

Board independence

The Board considers a range of factors in determining the independence of the individual directors including their character and judgment, whether they have any material business relationships with the Company or its advisers, whether they have any close family ties with the Company's advisers or Directors and their other commitments.

The Directors consider that length of service does not of itself impair their ability to act independently, rather, a long-serving Director can offer a perspective that adds value to the deliberations of a well-balanced investment trust company board.

It is considered by the Board that, with the exception of Mr Duffield, all of the Directors are independent. The biographies of the Directors holding office at the date of this report demonstrate a breadth of investment and commercial experience relevant to their positions as Directors. All Directors have a wide range of other interests and are not dependent on the Company itself. The Chairman's other significant commitments are detailed on page 4.

The Board considers that, given its small size and the size and nature of the Company's operations, it is unnecessary to nominate one Director as a Senior Independent Director.

Directors' appointment, retirement and rotation

The Board may appoint directors without shareholder approval. Any Director so appointed must stand for election by shareholders at the next AGM in accordance with the Articles of Association. No directors were appointed during the year.

Under the Articles of Association one-third of Directors are required to retire by rotation each year. All Directors are required to stand for re-election at least every three years, although the UK Corporate Governance Code ('Code') requires any Director who has served for more than nine years to stand for re-election annually. The Directors recognise the desirability for the composition of the Board to be reviewed and refreshed periodically.

Shareholders may remove a director before the end of their term of office by passing an ordinary resolution at a general meeting. An ordinary resolution is passed if more than 50% of the votes cast in person or by proxy are in favour of the resolution. All Directors standing for re-election at the AGM are eligible for re-election.

Mr Howard-Spink stands for re-election annually, having served on the Board for more than nine years. The Board considers the contribution by Mr Howard-Spink to its deliberations to be valuable, and he continues to exhibit independence of character and judgment. The Board accordingly strongly recommends that shareholders vote in favour of Mr Howard-Spink re-election.

DIRECTORS' REPORT

for the year ended 30th June 2017

DIRECTORS CONTINUED

Mr Duffield has a beneficial interest in 59.14% of the Company's shares and is the senior partner of the Investment Manager's parent entity. He is accordingly not considered to be independent. In line with the UKLA's Listing Rules, not being considered independent, Mr Duffield stands for re-election annually. The independent Directors consider that Mr Duffield makes a significant contribution to the Company and recommend his re-election to shareholders.

Mr Gregson is not seeking re-election to the Board.

Directors' remuneration

The Board consists solely of non-executive directors and accordingly the Company is not required to comply with the principles of the Code in relation to executive directors' remuneration, nor does it have a Remuneration Committee. Details of the fees paid to the Directors can be found in the Directors' Remuneration Report on page 32.

MANAGEMENT ARRANGEMENTS

The Company has no executive directors or employees. The day-to-day management and administration of the Company, including investment management, accounting and company secretarial matters, and custodian arrangements are delegated to specialist third party companies.

Investment management services

The Company's investments are managed by Brompton (the 'Investment Manager'). This relationship is governed by an agreement dated 23rd December 2009. The portfolio manager is Gill Lakin.

Brompton receives a management fee, payable quarterly in arrears, equivalent to an annual 0.75 per cent of total assets after the deduction of the value of any investments managed by the Investment Manager or its associates (as defined in the investment management agreement). The investment management agreement may be terminated by either party giving three months written notice to expire on the last calendar day of any month.

The Investment Manager is also entitled to a performance fee of 15 per cent of the growth in net assets over a hurdle of 3 month Sterling LIBOR plus 1 per cent per annum, payable six monthly in arrears, subject to a high watermark. The aggregate of the Company's management fee and performance fee are subject to a cap of 4.99 per cent of net assets in any financial year (with any performance fee in excess of this cap capable of being earned in future years).

During the year under review the investment management fee amounted to £622,000 (2016: £509,000). No performance fee was accrued or payable in respect of the year ended 30th June 2017 (2016: £nil).

The Independent Directors have reviewed the performance and terms of Brompton as Investment Manager. The Directors believe that it is in the best interests of all the shareholders to continue the appointment of the Investment Manager on their existing terms of appointment having had regard to the Group's performance in recent periods.

DIRECTORS' REPORT

for the year ended 30th June 2017

MANAGEMENT ARRANGEMENTS CONTINUED

Secretarial, administration and accounting services

Company secretarial services, general administration and accounting services for the Company are undertaken by Maitland Administration Services Limited (the 'Administrator').

Custodian services

Brown Brothers Harriman & Co is the independent custodian to the Company.

RELATED PARTY TRANSACTIONS

Mr Duffield is the senior partner of Brompton Asset Management Group LLP, the ultimate parent of the Investment Manager. Details of fees paid to the Investment Manager are given on page 20 and in note 3 on page 51.

SHARE CAPITAL AND SHAREHOLDERS

Share capital

The Company's share capital comprises 305,000,000 Ordinary shares of 1p each (2016: 305,000,000), of which 71,023,695 (2016: 71,023,695) are issued and fully paid. No shares are held in treasury (2016: nil). The Company did not issue or repurchase any shares during the year or up to the date of this report.

There are no restrictions on the transfer of the Company's shares other than: a) transfers by Directors and Persons Discharging Managerial Responsibilities and their connected persons during prohibited periods under the rules of the UK Listing Authority or which may constitute insider dealing; b) transfers for more than one class of share; c) transfers to more than 4 joint transferees; and d) transfers of shares which are not fully paid up or on which the Company has a lien provided that such would not prohibit dealings taking place on an open and proper basis.

The Company is not aware of any arrangements between shareholders or between the Company and any shareholders which restrict the transfer of shares or which would take effect or terminate in the event of a change of control of the Company.

The voting rights of the Ordinary shares on a poll are one vote for every share held.

Shareholders are entitled to such dividends (if any) as the Board may from time to time declare, and on a winding up are entitled to a distribution of such surplus assets (if any) as may remain after settling the liabilities of the Company, in proportion to the number of shares held and the respective amounts paid up or credited as paid up on their shares.

DIRECTORS' REPORT

for the year ended 30th June 2017

SHARE CAPITAL AND SHAREHOLDERS CONTINUED

Substantial share interests

At 30th June 2017 and 7th September 2017, the Company was aware of the following interests which represent 3% or more of the voting rights in the Company:

Substantial share interests

Shareholder	% of voting rights 30th June 2017	% of voting rights 7th September 2017
J L Duffield	59.1	59.1
Rathbone Investment Management Ltd*	5.4	4.9
M R L Astor	3.9	3.9
Miton Asset Management Ltd	3.8	3.8

** excluding any shareholders disclosed individually*

Relations with shareholders

The Board and Investment Manager are available for dialogue with shareholders. The primary mediums through which the Company communicates with its shareholders are the Half Year Report and the Annual Report and Accounts which aim to provide shareholders with a clear understanding of the Company's activities and its results. The Company's Annual Report and Accounts and Half Year Report are also published on the Company's website at: www.nsitplc.com and net asset values are published on the London Stock Exchange and the Company's website on a monthly basis.

All shareholders will have the opportunity to attend and vote at the AGM during which the Directors and Investment Manager will be available to answer questions regarding the Company. The Company will generally seek to provide twenty working days' notice of the AGM.

The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report or, where applicable, in the Notice of Meeting. Separate resolutions are proposed for each substantive issue.

GOING CONCERN

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities that are readily realisable or cash and it has no significant liabilities.

SUBSIDIARY

The Company owns the whole of the issued share capital (£1) of JIT Securities Limited, an investment company registered in England and Wales. The results of JIT Securities Limited are included in the consolidated financial statements.

DIRECTORS' REPORT

for the year ended 30th June 2017

INDEPENDENT AUDITOR

Ernst & Young LLP have indicated their willingness to remain in office. Accordingly a resolution proposing the re-appointment of Ernst & Young LLP until the close of the next general meeting at which accounts are laid before members, and to authorise the Directors to determine their remuneration, will be put to shareholders at the forthcoming AGM.

DIRECTORS' STATEMENT AS TO THE DISCLOSURE OF INFORMATION TO THE AUDITORS

The Directors who were members of the Board at the time of approving this Report are listed on page 4. Each of those Directors confirms that:

- to the best of his knowledge and belief, there is no information relevant to the preparation of the Report and Accounts of which the Company's auditors are unaware; and
- he has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at 1 Knightsbridge Green, London, SW1X 7QA on Thursday, 16th November 2017 and will commence at 11.00 am. The notice of meeting can be found on pages 70 to 74.

SPECIAL BUSINESS AT THE AGM

In addition to the Ordinary business to be transacted at the forthcoming Annual General Meeting, Resolution 8 and 9 will be proposed as an Ordinary Resolutions and Resolutions 10 to 13 proposed as Special Resolutions.

Resolution 8 relates to the proposed Remuneration Policy set out on page 31, which if approved, will take effect immediately after the end of the AGM. There are no substantive changes to the policy that is already in place.

Resolution 9 seeks renewal of the general and unconditional authority for the Directors to allot shares. The authority can be sought for up to 5 years but is put to shareholders annually. The Directors do not currently have any plans to exercise this authority if granted under this Resolution.

Resolution 10 would allow the Company to allot a limited number of equity securities without applying pre-emption rights. Again, the Directors do not currently have any plans to exercise this authority but consider it desirable and in the Company's interest to have the authority in place.

Resolution 11 is to seek renewal of the existing authority for the Company to make market purchases of the Company's shares. The authority is limited to 10,646,450 Ordinary shares representing approximately 14.99% of the current issued Ordinary share capital. No market purchases have yet been made but the Directors feel it is important to have the ability to make purchases and the Directors would only exercise the authority, if granted, if they considered it to be in the Company's best interest. Any Ordinary shares bought back would be cancelled or held in treasury at the discretion of the Directors.

Resolution 12 would give the Directors discretion to re-issue Ordinary shares held in treasury into the market. Shares would not be re-issued at a price below the most recent published net asset value prior to re-issue.

DIRECTORS' REPORT

for the year ended 30th June 2017

SPECIAL BUSINESS AT THE AGM CONTINUED

Resolution 13 will enable the Directors to call general meetings (other than an Annual General Meeting) at not less than 14 days' notice rather than 21 days. Ordinarily the Directors would expect to give the full notice period but circumstances might make it desirable to call a meeting on shorter notice. A general meeting may only be called on short notice if it complies with certain conditions.

The Directors strongly recommend that shareholders vote in favour of all Resolutions being put to the annual general meeting, as they themselves intend to vote in respect of their own beneficial shareholdings totalling 42,013,223, being approximately 59.15% of the Ordinary share capital in issue at the date of this report.

For and on behalf of the Board of Directors
Maitland Administration Services Limited
Corporate Secretary
15th September 2017

CORPORATE GOVERNANCE STATEMENT

for the year ended 30th June 2017

APPLICABLE GOVERNANCE CODE

Throughout the year under review the Company applied the UK Corporate Governance Code issued by the Financial Reporting Council ('FRC') in June 2016 (the 'Code'), and had regard to the Code of Corporate Governance issued by the Association of Investment Companies in February 2015 (the 'AIC Code') and provides specific corporate governance guidance for investment trusts. Full details of the Company's corporate governance arrangements and instances of non-compliance are given below.

The Code referred to above can be found on the FRC's website at www.frc.gov.uk

STATEMENT OF COMPLIANCE

It is considered that the Company has complied with the provisions of the Code subject to the exceptions explained below: the Company has not arranged insurance cover in respect of legal action against its Directors (Code provision A.1.3); it has not appointed a Senior Independent Director (Code provision A.4.1); and it does not have a Nominations Committee (Code Provision: B.2.1).

THE BOARD

Responsibilities of the Board

The Board is responsible for the effective stewardship of the Company's affairs. It determines the strategic direction of the Company and sets the boundaries within which the Investment Manager operates. The Board meets at least four times a year and reviews the Company's investment policy, performance and financial position. The Investment Manager takes decisions as to the purchase and sale of individual investments and is responsible for effecting those decisions on the best available terms. There is an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice at the Company's expense.

The Chairman is responsible for leading the Board and ensuring that it continues to deal effectively with all aspects of its role. In particular, he ensures that the Investment Manager and Administrator provide the Directors, in a timely manner, with management, regulatory and financial information that is clear, accurate and relevant. Representatives of the Investment Manager attend each Board meeting, enabling the Directors to seek clarification on specific issues or to probe further on matters of concern.

The Board comprises three non-executive Directors. In the light of the small size of the Board, it has been decided not to appoint a formal Nominations Committee and appointments of any new directors are considered by the Board as a whole.

Powers of the Directors

The powers of the Directors are set out in the Articles of Association which are publicly available from Companies House. Except as otherwise provided by regulation and legislation, the Directors may exercise all of the ordinary powers usually conferred on directors to manage the affairs of a company and to delegate such of those powers to committees, agents or individuals as they consider appropriate. The Directors may authorise the Company to borrow; to pay fees, expenses, salaries and make other payments to directors, executives and

CORPORATE GOVERNANCE STATEMENT

for the year ended 30th June 2017

THE BOARD CONTINUED

employees; and to provide pensions or other benefits for directors, executives and employees; but have not exercised these powers except for the payment of fees to non-executive directors.

Board attendance

Attendance at the Board and Audit Committee meetings held during the financial year is shown below.

	Board meetings	Audit committee meetings
No. of meetings	4	2
John Duffield	4	N/A
Marcus Gregson	4	2
Geoffrey Howard-Spink	4	2

PERFORMANCE EVALUATION

The Company

The performance of the Company is considered in detail at each Board meeting.

The Board

The Board evaluates its own performance, that of the Audit Committee, and the performance of each Director and the Chairman on a regular basis. Because the Board comprises only three Directors, some of whom are members of all Committees, appraisals are carried out every two years rather than annually. Appraisals are conducted by the use of a tailored questionnaire designed to elicit views on all Board and Committee functions, followed by an opportunity to openly discuss the findings and ensure that effectiveness is maintained. A review was carried out this year.

INTERNAL CONTROLS

The Board has overall responsibility for the establishment of the Company's systems of internal control and for reviewing their effectiveness. Internal control systems are designed to meet the particular requirements of the Company and to manage rather than eliminate the risks of failure to achieve its objectives. The systems by their very nature provide reasonable but not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's internal control systems including the financial, operational and compliance controls and risk management processes for the period since 1st July 2016.

CORPORATE GOVERNANCE STATEMENT

for the year ended 30th June 2017

INTERNAL CONTROLS CONTINUED

The key procedures which have been established with a view to providing effective internal control are as follows:

- Throughout the year under review, there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which accords with the guidance in the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014). The process involves reports from the Company Secretary and Investment Manager on risk control and compliance, in conjunction with the Investment Manager's regular report which covers investment performance and compliance issues. In addition, the Company Secretary or Investment Manager report on the internal control environment at the Company's third party service providers. Internal control statements from third party service providers are also made available to the Audit Committee.
- The duties related to investment management, accounting and custody of assets are segregated; the procedures of the individual parties are designed to complement one another.
- Investment management is performed by Brompton. The Board is responsible for setting the overall investment policy and monitors the activities of the Investment Manager at its regular meetings. The responsibilities of the Investment Manager are included in the Investment Management Agreement between the Company and Brompton. Brompton is authorised and regulated by the Financial Conduct Authority.
- Custody of assets is undertaken by Brown Brothers Harriman & Co.
- Administration, accounting and company secretarial duties are performed by Maitland Administration Services Limited.
- Authorisation and exposure limits are set by the Board.
- The Company clearly defines the duties and responsibilities of its agents through their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of parties involved; the Board monitors their on-going performance and contractual arrangements. The Board reviews financial information produced by the Investment Manager and the Company Secretary on a regular basis.

ACCOUNTABILITY AND RELATIONSHIP WITH INVESTMENT MANAGER

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 34. The responsibilities of the independent auditor are set out on pages 35 to 41. The Directors' Report states that the business is a going concern and confirmation of the Directors consideration on viability is on page 16.

The Board has delegated contractually to external third parties (including the Investment Manager) the management of the investment portfolio, custodial services (including safeguarding of assets), day to day accounting, company secretarial and administration duties, and registration services. Each of these contracts was entered into after consideration by the Board of the quality and cost of the services offered. The Board receives regular formal reports from the Investment Manager and ad hoc information as required.

STEWARDSHIP

The Board has delegated the voting of investee company shares to the Investment Manager. The Board is conscious that the majority of its investments are in diverse funds, and its holdings in quoted companies do not constitute positions of significant influence.

CORPORATE GOVERNANCE STATEMENT

for the year ended 30th June 2017

CONFLICTS OF INTEREST

The Board has put in place a framework for Directors to report conflicts of interest or potential conflicts of interest, which it believes works effectively. Directors are aware that they have a continuing obligation to notify the Company Secretary of all existing, new and potential situations or interests which do or could conflict with the interests of the Company. All disclosed situations and interests are reviewed by the Board at its meetings and, where appropriate, authorised. It is the Board's intention to continue to review all notified situations on a regular basis.

REPORT OF THE AUDIT COMMITTEE

for the year ended 30th June 2017

AUDIT COMMITTEE

Composition of the Audit Committee

The Board has established an Audit Committee which consists of Mr Gregson (Chairman) and Mr Howard-Spink. Both members of the Audit Committee served throughout the year and are considered by the Board to be independent of the Investment Manager. It is considered that each of the members of the Audit Committee has recent and relevant financial experience.

The terms of reference for the Audit Committee are available on the Company's website: www.nsitplc.com

Role of the Audit Committee

The Audit Committee meets at least twice per year and operates within clearly defined terms of reference. The Committee provides a forum through which the Company's external auditor reports to the Board.

The main work and responsibilities of the Audit Committee include:

- monitoring the integrity of the Company's annual and half yearly financial statements together with the appropriateness of its accounting policies;
- considering the Company's key risks and the risk matrix prepared by the Investment Manager;
- considering the nature and scope of the external audit and the findings therefrom;
- considering the need for an internal audit function;
- overseeing the relationship with the external auditor, including assessing the independence and objectivity of the auditor, the effectiveness of the auditor and any non-audit services provided; and
- reviewing the investment management agreement and any proposed alterations to the investment management agreement.

Significant accounting matters considered by the Audit Committee

As part of the Audit Committee's review of the 2017 Annual Report and Accounts, the Committee considered the following significant issues, including the consideration of principal risks and uncertainties in light of the Company's activities and issues communicated by the Auditor during their work.

Valuation of the investment portfolio: Over 95% of the portfolio has been verified by daily or monthly market prices. The valuation of the remainder of the portfolio, which is more subjective, is reviewed separately by the Investment Manager, the Audit Committee and the Auditor. The Audit Committee reviewed the Investment Manager's detailed valuation paper covering the basis adopted for valuing each unquoted company.
Ownership of the investment portfolio: The Company uses the services of an independent global custodian, Brown Brothers Harriman & Co. The Investment Manager and Administrator reconcile their records to those of the custodian and the Auditor obtains independent confirmation of the holdings from the custodian.

Compliance with The Investment Trust (Approved Company) (Tax) Regulations 2011: compliance with these regulations is essential to maintaining the taxation benefits of being an Investment Company for UK tax purposes. Schedules are prepared by the Administrator to confirm ongoing compliance and there is an additional review at the year-end by the Investment Manager and the Auditor.

REPORT OF THE AUDIT COMMITTEE

for the year ended 30th June 2017

EXTERNAL AUDITOR

Auditor independence and performance

The Audit Committee makes recommendations to the Board regarding the appointment and independence of the external Auditor, Ernst & Young LLP, and assesses the objectivity and effectiveness of the audit process. Representatives of Ernst & Young LLP attended the Audit Committee meeting at which the draft Annual Report and Accounts were considered. They also engage with the Directors as and when required. Details of the amounts payable to the Auditor during the year under review, for audit and other services are set out in note 4 on page 52.

The effectiveness of the audit was assessed by considering the Auditor's direct engagement with the Audit Committee, the auditors' written reports and from feedback from the Investment Manager and the Administrator.

In addition to the statutory audit of the Annual Report and Accounts, Ernst & Young LLP also provided a review of the half year report, which was subject to approval by the Audit Committee prior to engagement. The external auditor no longer provide any taxation services.

Ernst & Young LLP have audited the Company's financial statements since the inception of the Company in 2000 and the current Audit Partner is in her first year. No audit tender has been undertaken. The Board concluded, on the recommendation of the Audit Committee, that the Auditor continues to be independent of the Company and the Investment Manager and recommends their reappointment.

Other Matters

In common with many investment trusts, the Company does not have a whistle-blowing policy. The main functions of the Company are delegated to third parties and the Audit Committee believes that it is appropriate to rely on the whistle-blowing policies operated by those third parties.

The Company does not have any employees and its day-to-day operations are delegated to third parties. The Board has determined that, in view of these circumstances, there is no need for the Company to have an internal audit function. The Directors annually review whether a function equivalent to internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

Approved by the Audit Committee and signed on its behalf by:
Marcus Gregson
Chairman – Audit Committee
15th September 2017

DIRECTORS' REMUNERATION REPORT

for the year ended 30th June 2017

ANNUAL REPORT ON REMUNERATION

The Directors are pleased to present their report on remuneration. Ordinary resolutions, to approve the Directors' Remuneration Policy (the 'Policy') (which is binding), and to adopt this report (which is advisory) will be put at the forthcoming AGM.

The Auditor is required to report to the Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Act. Where information set out below has been audited, it is clearly indicated. The Auditor's opinion is included within the Independent Auditor's Report on pages 35 to 41.

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It describes the Policy and how it was implemented for the year to 30th June 2017.

The Board does not consider it necessary or appropriate to establish a separate Remuneration Committee as the Company has no employees, the Board is small, and there are no executive Directors. Non-executive Directors' remuneration is determined by the Board in line with the Policy below.

REMUNERATION POLICY

The Company's policy is that the remuneration of non-executive Directors should reflect the experience of the board as a whole, be fair and comparable to that of other investment trusts that have a similar capital structure (ordinary shares), and have a similar investment objective (long-term capital growth).

The non-executive Directors of the Company are entitled to such rates of annual fees as the Board, at its discretion determines, subject to an aggregate ceiling of £100,000.

No Director shall be entitled to any benefits in kind, share options, long-term incentives, pension or other retirement benefits or compensation for loss of office. It is considered that no part of the Directors' remuneration should be performance related in the light of their non-executive status. Directors are entitled to reimbursement of expenses in respect of duties undertaken in connection with the management of the Company.

If the shareholders approve the policy, the policy will be put to shareholders again for renewal of their approval at intervals of not more than three years, and less if a change to the policy is proposed. If changes to the adopted policy are proposed, they can only take effect after shareholders have approved the changes in general meeting.

DIRECTORS' SERVICE CONTRACTS

It is the Board's policy that none of the Directors has a service contract. Any Director may be removed without notice and no compensation will be due on leaving office.

VOTING AT AGM

There are no significant changes proposed to the way that the current approved Remuneration Policy will be implemented during the course of the next financial year. The current policy was last approved at the AGM held on 6th November 2014, at which 99.95% of the votes were in favour and no votes were against. At last

DIRECTORS' REMUNERATION REPORT

for the year ended 30th June 2017

VOTING AT AGM CONTINUED

year's AGM, the Directors' Remuneration Report was approved; 99.997% voted in favour and 0.003% voted against.

DIRECTORS' FEES (AUDITED)

The table below shows the rates of annual fees payable to the highest paid Director, the Chairman, and all other non-executive Directors for the year to 30th June 2017 and the year of 30th June 2016:

	2017	2016
	(£)	(£)
Chairman	**20,000**	20,000
Board member	**15,000**	15,000

DIRECTORS' EMOLUMENTS (AUDITED)

The single total figure of remuneration for each Director for the year to 30th June 2017 is detailed below together with the prior year comparative. Emoluments were received solely in the form of fees.

Name of Director	**Fees paid/Total (£)**	
	2017	2016
J L Duffield	**15,000**	15,000
M J Gregson	**15,000**	15,000
G Howard-Spink	**20,000**	20,000
Total	**50,000**	50,000

RELATIVE IMPORTANCE OF SPEND ON PAY

The fees payable in respect of Mr Duffield's services are paid to the Investment Manager. The Company has no executive directors. Distributions made to shareholders by way of dividend have no correlation to Directors' remuneration. Any comparison would not be meaningful.

DIRECTORS' INTERESTS IN SHARES (AUDITED)

The interests of the Directors in the Ordinary shares of the Company at the beginning and end of the financial year are shown in the table below.

Ordinary shares of 1p	30th June 2017	30th June 2016
Beneficial:		
J L Duffield	42,003,223	42,003,223
M J Gregson	10,000	10,000
G Howard-Spink	-	-

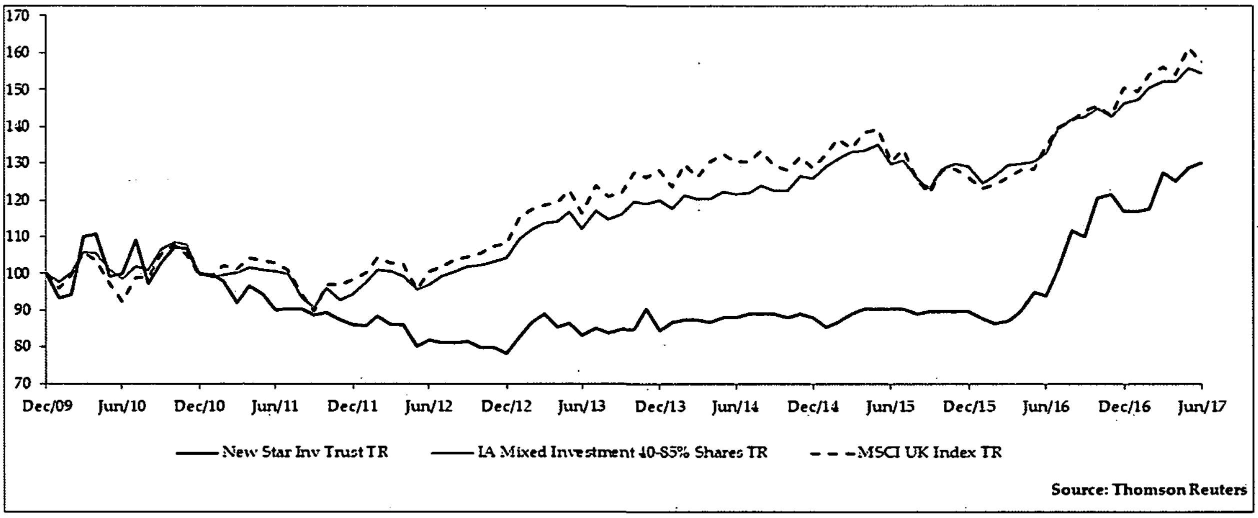
There have been no changes in the Directors' interests in the period from 30th June 2017 to the date of this report.

DIRECTORS' REMUNERATION REPORT

for the year ended 30th June 2017

YOUR COMPANY'S PERFORMANCE

The graph below compares the share price total return (assuming all dividends are reinvested) over the last seven and a half years against the IA Mixed Investment 40-85% (total return). The data has been rebased to 100 at 31st December 2009.



By order of the Board
Geoffrey Howard-Spink
Chairman
15th September 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 30th June 2017

The Directors are responsible for preparing the Annual Report and Accounts for the Group in accordance with applicable United Kingdom law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Under Company Law, the Directors must not approve the Group's Annual Report and Accounts unless they are satisfied that they present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group's Annual Report and Accounts the Directors are required to:

- select suitable accounting policies in accordance with Intended Accounting Standard ('IAS') 8: Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- prepare a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have concluded that the Group's Annual Report and Accounts for the year ended 30th June 2017, taken as a whole, is fair, balanced and understandable, and provide the information necessary for shareholders to assess the performance, business model and strategy of the Group.

STATEMENT UNDER DISCLOSURE AND TRANSPARENCY RULE 4.1.12

The Directors of the Company each confirm to the best of their knowledge that:

(a) the financial statements have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
(b) the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties they face.

For and on behalf of the Board of Directors
Maitland Administration Services Limited - *Secretary*
15th September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW STAR INVESTMENT TRUST PLC

OPINION

In our opinion:

- New Star Investment Trust Plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2017 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of New Star Investment Trust Plc which comprise:

Group	Parent Company
Consolidated Balance Sheet as at 30 June 2017	Balance Sheet as at 30 June 2017
Consolidated Statement of Comprehensive Income for the year ended 30 June 2017	Statement of Changes in Equity for the year ended 30 June 2017
Consolidated Statement of Changes in Equity for the year ended 30 June 2017	Cash Flow Statement for the year ended 30 June 2017
Consolidated Cash Flow Statement for the year ended 30 June 2017	
Related notes 1 to 20 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW STAR INVESTMENT TRUST PLC

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 16 to 17 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 40 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 35 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 19 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Valuation and ownership of investment portfolio.
Audit scope	• We performed an audit of the complete financial information of New Star Investment Trust Plc and its subsidiaries, JIT Securities Limited in accordance with applicable law and International Standards on Auditing (UK). • All audit work was performed directly by the audit engagement team.
Materiality	• Overall Group materiality of £1,051k (2016: £893k) which represents 1% (2016: 1%) of net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. These matters were addressed in the context of the financial statements as a whole and, consequently, we do not express any opinion on those individual areas.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW STAR INVESTMENT TRUST PLC

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Risk	Our response to the risk	Key observations communicated to Audit Committee
Valuation and existence of investment portfolio The investment portfolio at the year-end comprised of quoted investments of £86.9 million and unquoted investments of £4.8 million. The valuation of the assets held in the investment portfolio is the key driver of the Group's investment return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the Group could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	**We performed the following procedures:** Performed a walkthrough of the investment valuation process, assessing the controls in place over the valuation of investments at year end. **Valuation of quoted portfolio** Agreed 100% of quoted investments to an independent pricing source. **Valuation of unquoted portfolio** Discussed the valuation of the unquoted investments with the Manager and Audit Committee. Confirmed the valuations are performed in accordance with the Company's accounting policies and the IPEV guidelines. We agreed the key inputs to the unquoted valuations to supporting documentation including investor updates, shareholder circulars and management accounts. **Ownership of investment portfolio** Agreed investment holdings to a confirmation from the custodian. Performed a two way reconciliation of the investments held by the Company to the records of the administrator and custodian.	We assessed the design effectiveness of the controls in this area and performed a substantive audit approach in this area. We noted no issues in agreeing journal entries in relation to unquoted investments to supporting documentation. For all investments we noted no material difference in the fair value of the investments and identified no exceptions or discrepancies. We confirmed that investments held by the Group agreed to the independent confirmations received from the custodian and that there are no unresolved discrepancies arose when performing a two way reconciliation of the investments held.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW STAR INVESTMENT TRUST PLC

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each entity. All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £1,051k (2016: £893k), which is 1% of net assets. We have derived our materiality calculation based on a proportion of net assets as we consider it to be the most important financial metric on which shareholders would judge the performance of the Group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £788k (2016: £670k). We have set our performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £52.5k (2016: £44.4k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW STAR INVESTMENT TRUST PLC

Other information

The other information comprises the information included in the Annual report set out on pages 1 to 35 including the introduction set out on pages 2 to 4, the Strategic Report set out on pages 5 to 18 and the Governance section set out on pages 26 to 29, other than financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** set out on page 34 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** set out on pages 29 and 30 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** set out on page 26 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the strategic report and the directors' report have been prepared in accordance with applicable legal requirements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW STAR INVESTMENT TRUST PLC

Opinions on other matters prescribed by the Companies Act 2006 (continued)

- The information about internal controls in relation to financial reporting processes and about share capital structures given in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority:
  - Is consistent with the financial statements; and
  - has been prepared in accordance with applicable legal requirement;
- information about the company's corporate governance code and practices and about is administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group and parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
  we have not received all the information and explanations we require for our audit.
- a Corporate Governance Statement has not been prepared by the company

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 34, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW STAR INVESTMENT TRUST PLC

Auditor's responsibilities for the audit of the financial statements (continued)

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Auditor's responsibilities for the audit of the financial statements

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how the Group and Parent Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Group and Parent Company.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to management override in relation to inappropriate revenue journals. We noted no issues in agreeing a sample of revenue journal entries back to the details from the income report to the corresponding announcements prepared by the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the audit committee, we were appointed as auditors by the Audit Committee on the inception of the Company. The period of total uninterrupted engagement including previous renewals and reappointments is 17 years, covering the years ended 2000 to 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and we remain independent of the Group in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Caroline Mercer (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
15th September 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30th June 2017

	Notes	Year ended 30th June 2017 Revenue Return £ '000	Year ended 30th June 2017 Capital Return £ '000	Year ended 30th June 2017 Total £ '000	Year ended 30th June 2016 Revenue Return £ '000	Year ended 30th June 2016 Capital Return £ '000	Year ended 30th June 2016 Total £ '000
INVESTMENT INCOME	2	1,686	-	1,686	934	-	934
Other operating income	2	29	-	29	10	-	10
		1,715	-	1,715	944	-	944
GAINS AND LOSSES ON INVESTMENTS							
Gains on investments at fair value through profit or loss	9	-	14,814	14,814	-	7,921	7,921
Other exchange gains		-	367	367	-	1,510	1,510
Trail rebates		-	4	4	-	9	9
		1,715	15,185	16,900	944	9,440	10,384
EXPENSES							
Management fees	3	(622)	-	(622)	(509)	-	(509)
Other expenses	4	(276)	-	(276)	(242)	-	(242)
		(898)	-	(898)	(751)	-	(751)
PROFIT BEFORE FINANCE COSTS AND TAX		817	15,185	16,002	193	9,440	9,633
Finance costs		-	-	-	-	-	-
PROFIT BEFORE TAX		817	15,185	16,002	193	9,440	9,633
Tax	5	(7)	-	(7)	-	-	-
PROFIT FOR THE YEAR		810	15,185	15,995	193	9,440	9,633
EARNINGS PER SHARE							
Ordinary shares (pence)	7	1.14p	21.38p	22.52p	0.27p	13.29p	13.56p

The total column of this statement represents the Group's profit and loss account, prepared in accordance with IFRS, as adopted by the European Union. The supplementary Revenue Return and Capital Return columns are both prepared under guidance published by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations.

The Company did not have any income or expense that was not included in 'Profit for the year'. Accordingly, the 'Profit for the year' is also the 'Total comprehensive income for the year', as defined in IAS1 (revised) and no separate Statement of Comprehensive Income has been presented.

No operations were acquired or discontinued during the year.

All income is attributable to the equity holders of the parent company. There are no minority interests.

The Notes on pages 48 to 69 form an integral part of these Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2017

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2016		**710**	**21,573**	**56,908**	**10,083**	**89,274**
Total comprehensive income for the year		**-**	**-**	**-**	**15,995**	**15,995**
Dividend paid	*8*	**-**	**-**	**-**	**(213)**	**(213)**
AT 30TH JUNE 2017		**710**	**21,573**	**56,908**	**25,865**	**105,056**

Included within Retained earnings were £851,000 of Company reserves available for distribution.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2016

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2015	710	21,573	56,908	663	79,854
Total comprehensive income for the year	-	-	-	9,633	9,633
Dividend paid	-	-	-	(213)	(213)
AT 30TH JUNE 2016	710	21,573	56,908	10,083	89,274

Included within Retained earnings were £255,000 of Company reserves available for distribution.

The Notes on pages 48 to 69 form an integral part of these Accounts.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2017

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2016		**710**	**21,573**	**56,908**	**10,083**	**89,274**
Total comprehensive income for the year		**-**	**-**	**-**	**15,995**	**15,995**
Dividend paid	8	**-**	**-**	**-**	**(213)**	**(213)**
AT 30TH JUNE 2017		**710**	**21,573**	**56,908**	**25,865**	**105,056**

Included within Retained earnings were £851,000 of Company revenue reserves available for distribution.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2016

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2015		710	21,573	56,908	663	79,854
Total comprehensive income for the year		-	-	-	9,633	9,633
Dividend paid	8	-	-	-	(213)	(213)
AT 30TH JUNE 2016		710	21,573	56,908	10,083	89,274

Included within Retained earnings were £255,000 of Company revenue reserves available for distribution.

The Notes on pages 48 to 69 form an integral part of these Accounts.

CONSOLIDATED BALANCE SHEET

at 30th June 2017

	Notes	30th June 2017 £'000	30th June 2016 £'000
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	*9*	**91,730**	79,467
CURRENT ASSETS			
Other receivables	*11*	**85**	55
Cash and cash equivalents	*12*	**13,451**	9,938
		13,536	9,993
TOTAL ASSETS		**105,266**	89,460
CURRENT LIABILITIES			
Other payables	*13*	**(210)**	(186)
TOTAL ASSETS LESS CURRENT LIABILITIES		**105,056**	89,274
NET ASSETS		**105,056**	89,274
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS			
Called-up share capital	*14*	**710**	710
Share premium	*15*	**21,573**	21,573
Special reserve	*15*	**56,908**	56,908
Retained earnings	*15*	**25,865**	10,083
TOTAL EQUITY		**105,056**	89,274
NET ASSET VALUE PER ORDINARY SHARE (Pence)	*16*	**147.92p**	125.70p

These Accounts were approved by the Board of Directors and authorised for issue on 15th September 2017.

Geoffrey Howard-Spink
Chairman
New Star Investment Trust Plc
Registered in England & Wales No. 03969011

The Notes on pages 48 to 69 form an integral part of these Accounts.

COMPANY BALANCE SHEET

at 30th June 2017

	Notes	**30th June 2017 £ '000**	30th June 2016 £ '000
NON-CURRENT ASSETS			
Investment in subsidiary at fair value through profit or loss	*10*	**504**	503
Investments at fair value through profit or loss	*9*	**91,730**	79,467
		92,234	79,970
CURRENT ASSETS			
Other receivables	*11*	**999**	969
Cash and cash equivalents	*12*	**12,033**	8,521
		13,032	9,490
TOTAL ASSETS		**105,266**	89,460
CURRENT LIABILITIES			
Other payables	*13*	**(210)**	(186)
TOTAL ASSETS LESS CURRENT LIABILITIES		**105,056**	89,274
NET ASSETS		**105,056**	89,274
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS			
Called-up share capital	*14*	**710**	710
Share premium	*15*	**21,573**	21,573
Special reserve	*15*	**56,908**	56,908
Retained earnings (1)	*15*	**25,865**	10,083
TOTAL EQUITY		**105,056**	89,274

(1) The total return for the financial year dealt with in the accounts of the Company is £15,995,000 (2016: £9,633,000)

These Accounts were approved by the Board of Directors and authorised for issue on 15th September 2017.

Geoffrey Howard-Spink
Chairman
New Star Investment Trust Plc
Registered in England & Wales No. 03969011

The Notes on pages 48 to 69 form an integral part of these Accounts.

CASH FLOW STATEMENTS

for the year ended 30th June 2017

	Notes	Year ended 30th June 2017 Group £'000	Year ended 30th June 2017 Company £'000	Year ended 30th June 2016 Group £'000	Year ended 30th June 2016 Company £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES		808	807	212	211
INVESTING ACTIVITIES					
Purchase of investments		(6,500)	(6,500)	(14,613)	(14,613)
Sale of investments		9,051	9,051	11,153	11,153
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		2,551	2,551	(3,460)	(3,460)
FINANCING					
Equity dividends paid	8	(213)	(213)	(213)	(213)
NET CASH INFLOW/(OUTFLOW) AFTER FINANCING		3,146	3,145	(3,461)	(3,462)
INCREASE/(DECREASE) IN CASH		3,146	3,145	(3,461)	(3,462)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN CASH & CASH EQUIVALENTS					
Increase/(decrease) in cash resulting from cash flows		3,146	3,145	(3,461)	(3,462)
Exchange movements		367	367	1,510	1,510
Movement in net funds		3,513	3,512	(1,951)	(1,952)
Net funds at start of the year		9,938	8,521	11,889	10,473
CASH & CASH EQUIVALENTS AT END OF YEAR	17	13,451	12,033	9,938	8,521
RECONCILIATION OF PROFIT BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES					
Profit before finance costs and taxation	2	16,002	16,002	9,633	9,633
Gains on investments		(14,814)	(14,815)	(7,921)	(7,922)
Exchange differences		(367)	(367)	(1,510)	(1,510)
Capital trail rebates		(4)	(4)	(9)	(9)
Net revenue gains before finance costs and taxation		817	816	193	192
Increase in debtors		(18)	(18)	(7)	(7)
Increase in creditors		24	24	19	19
Taxation		(19)	(19)	(2)	(2)
Capital trail rebates		4	4	9	9
NET CASH INFLOW FROM OPERATING ACTIVITIES		808	807	212	211

The Notes on pages 48 to 69 form an integral part of these Accounts.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

1. ACCOUNTING POLICIES

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS'). These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee ('IASC') that remain in effect, and to the extent that they have been adopted by the European Union.

These financial statements are presented in pounds sterling, the Group's functional currency, being the currency of the primary economic environment in which the Group operates, rounded to the nearest thousand.

(a) *Basis of preparation*: The financial statements have been prepared on a going concern basis. The principal accounting policies adopted are set out below.

Where presentational guidance set out in the Statement of Recommended Practice **'Financial Statements of Investment Trust Companies and Venture Capital Trusts'** ('SORP') issued by the Association of Investment Companies ('AIC') in November 2014 and updated in January 2017 with consequential amendments is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

(b) Basis of consolidation: The consolidated financial statements include the accounts of the Company and its subsidiary made up to 30th June 2017. No statement of comprehensive income is presented for the parent company as permitted by Section 408 of the Companies Act 2006.

The parent company is an investment entity as defined by IFRS 10 and assets are held at their fair value. The consolidated accounts include subsidiaries which are an integral part of the Group and not investee companies.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are based on consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising therefrom, are eliminated. Subsidiaries are valued at their NAV in the accounts of the Company.

(c) *Presentation of Statement of Comprehensive Income*: In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the consolidated statement of comprehensive income between items of a revenue and capital nature has been presented alongside the consolidated statement of comprehensive income.

In accordance with the Company's Articles of Association, net capital returns may not be distributed by way of a dividend. Additionally, the net revenue profit is the measure the Directors believe is appropriate in assessing the Group's compliance with certain requirements set out in the Investment Trust (Approved Company) (Tax) Regulations 2011.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

1. **ACCOUNTING POLICIES CONTINUED**

(d) *Use of estimates*: The preparation of financial statements requires the Group to make estimates and assumptions that affect items reported in the consolidated and company balance sheets and consolidated statement of comprehensive income and the disclosure of contingent assets and liabilities at the date of the financial instruments. Although these estimates are based on the Directors' best knowledge of current facts, circumstances and, to some extent, future events and actions, the Group's actual results may ultimately differ from those estimates, possibly significantly. The most significant estimate relates to the valuation of unquoted investments.

(e) *Revenue*: Dividends and other such distributions from investments are credited to the revenue column of the consolidated statement of comprehensive income on the day in which they are quoted ex-dividend. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash and the amount of the cash dividend is recognised as income, any excess in the value of the shares received over the amount recognised is credited to the capital reserve. Deemed revenue from non-reporting funds is credited to the revenue account. Interest on fixed interest securities and deposits is accounted for on an effective yield basis.

(f) *Expenses*: Expenses are accounted for on an accruals basis. Management fees, administration and other expenses, with the exception of transaction charges, are charged to the revenue column of the consolidated statement of comprehensive income. Transaction charges are charged to the capital column of the consolidated statement of comprehensive income.

(g) *Investments held at fair value*: Purchases and sales of investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

All investments are classified as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Investments in units of unit trusts or shares in OEICs are valued at the bid price for dual priced funds, or single price for non-dual priced funds, released by the relevant investment manager. Unquoted investments are valued by the Directors at the balance sheet date based on recognised valuation methodologies, in accordance with International Private Equity and Venture Capital ('IPEVC') Valuation Guidelines such as dealing prices or third party valuations where available, net asset values and other information as appropriate.

(h) *Taxation*: The charge for taxation is based on taxable income for the year. Withholding tax deducted from income received is treated as part of the taxation charge against income. Taxation deferred or accelerated can arise due to temporary differences between the treatment of certain items for accounting and taxation purposes. Full provision is made for deferred taxation under the liability method on all temporary differences not reversed by the Balance Sheet date. No deferred tax provision is made against deemed reporting offshore funds. Deferred tax assets are only recognised when there is more likelihood than not that there will be suitable profits against which they can be applied.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

1. **ACCOUNTING POLICIES CONTINUED**

(i) *Foreign currency*: Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Foreign currency transactions are translated at the rates of exchange applicable at the transaction date. Exchange gains and losses are taken to the revenue or capital column of the consolidated statement of comprehensive income depending on the nature of the underlying item.

(j) *Capital reserve*: The following are accounted for in this reserve:

- gains and losses on the realisation of investments together with the related taxation effect;
- foreign exchange gains and losses on capital transactions, including those on settlement, together with the related taxation effect;
- revaluation gains and losses on investments; and
- trail rebates received from the managers of the Company's investments.

The capital reserve is not available for the payment of dividends.

(k) *Special reserve*: The special reserve can be used to finance the redemption and/or purchase of shares in issue.

(l) *Cash and cash equivalents*: Cash and cash equivalents comprise current deposits and balances with banks. Cash and cash equivalents may be held for the purpose of either asset allocation or managing liquidity.

(m)*Dividends payable*: Dividends are recognised from the date on which they are irrevocably committed to payment.

(n) *Segmental Reporting*: The Directors consider that the Group is engaged in a single segment of business with the primary objective of investing in securities to generate long term capital growth for its shareholders. Consequently no business segmental analysis is provided.

(o) *New standards, amendments to standards and interpretations effective for annual accounting periods beginning after 1 July 2016:*

There have been no new standards, amendment to standards and interpretations effective for annual accounting periods beginning after 1 July 2016 that impact these financial statements.

(p) *Accounting standards issued but not yet effective*: Standards issued but not yet effective up to the date of issuance of the Group's Report & Accounts are listed below. This listing of standards and interpretations issued are those the Group reasonably expects will have an impact on disclosure, financial position and/or financial performance, when applied at a future date. The Group intends to adopt those standards (where applicable) when they become effective.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

1. ACCOUNTING POLICIES CONTINUED

The revised IFRS 9 Financial Instruments replaces IAS 39 and applies to the classification and measurement and impairment of financial assets and financial liabilities, and hedge accounting. The adoption of IFRS 9 will have an effect on the classification but not the measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. It will also introduce a new expected loss impairment model requiring more timely recognition of expected credit losses and a reformed model for hedge accounting with enhanced disclosure of risk management activity. The standard is effective for annual periods beginning on or after 1 January 2018.

2. INVESTMENT INCOME

	Year ended 30th June 2017 £ '000	Year ended 30th June 2016 £ '000
INCOME FROM INVESTMENTS		
UK net dividend income	1,540	877
Unfranked investment income	146	57
	1,686	934
OTHER OPERATING INCOME		
Bank interest receivable	28	10
Loan interest income	1	-
	29	10
TOTAL INCOME COMPRISES		
Dividends	1,686	934
Other income	29	10
	1,715	944

The above dividend and interest income has been included in the profit before finance costs and taxation included in the cash flow statements.

3. MANAGEMENT FEES

	Year ended 30th June 2017			Year ended 30th June 2016		
	Revenue £ '000	Capital £ '000	Total £ '000	Revenue £ '000	Capital £ '000	Total £ '000
Investment management fee	622	-	622	509	-	509
Performance fee	-	-	-	-	-	-
	622	-	622	509	-	509

At 30th June 2017 there were amounts accrued of £162,000 (2016: £138,000) for investment management fees.

A summary of the terms of the investment management agreement may be found in **the Directors' Report on** page 20

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

4. OTHER EXPENSES

	Year ended 30th June 2017 £ '000	Year ended 30th June 2016 £ '000
Directors' remuneration	**50**	50
Administrative and secretarial fee	**94**	94
Auditors' remuneration		
- Audit	**31**	27
- Interim review	**8**	8
-Taxation compliance services†	**-**	12
Other	**93**	51
	276	242

†The 2016 expenses cover two tax periods.

Allocated to:		
- Revenue	**276**	242
- Capital	**-**	-
	276	242

5. TAXATION

(a) Analysis of tax charge for the year:

	Year ended 30th June 2017			Year ended 30th June 2016		
	Revenue Return £ '000	**Capital Return £ '000**	**Total £ '000**	Revenue Return £ '000	Capital Return £ '000	Total £ '000
Overseas tax	**18**	**-**	**18**	-	-	-
Recoverable income tax	**(11)**	**-**	**(11)**	-	-	-
Total current tax for the year	**7**	**-**	**7**	-	-	-
Deferred tax	**-**	**-**	**-**	-	-	-
Total tax for the year (note 5b)	**7**	**-**	**7**	-	-	-

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

5. **TAXATION CONTINUED**

(b) Factors affecting tax charge for the year:

The charge for the year of £7,000 (2016: £nil) can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	Year ended 30th June 2017 £ '000	Year ended 30th June 2016 £ '000
Total profit before tax	**16,002**	9,633
Theoretical tax at the UK corporation tax rate of 19.75% (2016: 20.0%)	**3,162**	1,927
Effects of:		
Non-taxable UK dividend income	**(304)**	(176)
Gains and losses on investments that are not taxable	**(3,000)**	(1,886)
Excess expenses not utilised	**153**	144
Overseas dividends which are not taxable	**(11)**	(9)
Overseas tax	**18**	-
Recoverable income tax	**(11)**	-
Total tax for the year	**7**	-

Due to the Company's tax status as an investment trust and the intention to continue meeting the conditions required to maintain approval of such status in the foreseeable future, the Company has not provided tax on any capital gains arising on the revaluation or disposal of investments.

There is no deferred tax (2016: £nil) in the capital account of the Company. There is no deferred tax charge in the revenue account (2016: £nil).

At the year-end there is an unrecognised deferred tax asset of £386,000 at 17% (2016: £420,000) as a result of excess expenses.

6. **COMPANY RETURN FOR THE YEAR**

The Company's total return for the year was £15,995,000 (2016: £9,633,000).

7. **RETURN PER ORDINARY SHARE**

Total return per Ordinary share is based on the Group total return on ordinary activities after taxation of £15,995,000 (2016: £9,633,000) and on 71,023,695 (2016: 71,023,695) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Revenue return per Ordinary share is based on the Group revenue profit on ordinary activities after taxation of £810,000 (2016: £193,000) and on 71,023,695 (2016: 71,023,695) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

7. RETURN PER ORDINARY SHARE CONTINUED

Capital return per Ordinary share is based on net capital gains for the year of £15,185,000 (2016: £9,440,000) and on 71,023,695 (2016: 71,023,695) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

8. DIVIDENDS ON EQUITY SHARES

Amounts recognised as distributions in the year:

	Year ended 30th June 2017 £ '000	Year ended 30th June 2016 £ '000
Dividends paid during the year	213	213
Dividends payable in respect of the year ended:		
30th June 2017: 0.8p (2016: 0.3p) per share	[568]	213

It is proposed that a dividend of 0.8p per share will be paid in respect of the current financial year.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 30th June 2017 £ '000	Year ended 30th June 2016 £ '000
GROUP AND COMPANY	91,730	79,467

ANALYSIS OF INVESTMENT PORTFOLIO – GROUP AND COMPANY

	Listed* £ '000	**Unlisted £ '000**	**Total £ '000**
Opening book cost	58,833	4,325	63,158
Opening investment holding gains/(losses)	19,054	(2,745)	16,309
Opening valuation	77,887	1,580	79,467
Movement in period			
Purchases at cost	3,270	3,230	6,500
Sales			
- Proceeds	(9,051)	-	(9,051)
- Realised gains on sales	2,739	-	2,739
Movement in investment holding gains for the year	12,075	-	12,075
Closing valuation	86,920	4,810	91,730
Closing book cost	55,791	7,555	63,346
Closing investment holding gains/(losses)	31,129	(2,745)	28,384
Closing valuation	86,920	4,810	91,730

* Listed investments include unit trust and OEIC funds.

	Year ended 30th June 2017 £ '000	Year ended 30th June 2016 £ '000
ANALYSIS OF CAPITAL GAINS AND LOSSES		
Realised gains on sales of investments	2,739	1,096
Increase in investment holding gains	12,075	6,825
Net gains on investments attributable to ordinary shareholders	14,814	7,921

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

Transaction costs

The purchase and sale proceeds figures above include transaction costs on purchases of £2,282 (2016: £685) and on sales of £nil (2016: £6,373).

10. INVESTMENT IN SUBSIDIARY UNDERTAKING

The Company owns the whole of the issued share capital (£1) of JIT Securities Limited, an investment company registered in England and Wales.

The financial position of the subsidiary is summarised as follows:

	Year ended 30th June 2017 £ '000	Year ended 30th June 2016 £ '000
Net assets brought forward	**503**	502
Profit for year	**1**	1
Net assets carried forward	**504**	503

11. OTHER RECEIVABLES

	30th June 2017 Group £ '000	**30th June 2017 Company £ '000**	30th June 2016 Group £ '000	30th June 2016 Company £ '000
Prepayments and accrued income	**70**	**70**	52	52
Taxation	**15**	**15**	3	3
Amounts owed by subsidiary undertakings	**-**	**914**	-	914
	85	**999**	55	969

12. CASH AND CASH EQUIVALENTS

	30th June 2017 Group £ '000	**30th June 2017 Company £ '000**	30th June 2016 Group £ '000	30th June 2016 Company £ '000
Cash at bank and on deposit	**13,451**	**12,033**	9,938	8,521

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

13. OTHER PAYABLES

	30th June 2017 Group £ '000	**30th June 2017 Company £ '000**	30th June 2016 Group £ '000	30th June 2016 Company £ '000
Accruals	**210**	**210**	186	186

14. CALLED UP SHARE CAPITAL

	30th June 2017 £ '000	30th June 2016 £ '000
Authorised		
305,000,000 (2016: 305,000,000) Ordinary shares of £0.01 each	**3,050**	3,050
Issued and fully paid		
71,023,695 (2016: 71,023,695) Ordinary shares of £0.01 each	**710**	710

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

15. RESERVES

	Share Premium account £'000	Special Reserve £'000	Retained earnings £'000
GROUP			
At 30th June 2016	21,573	56,908	10,083
Increase in investment holding gains	-	-	12,075
Net gains on realisation of investments	-	-	2,739
Gain on foreign currency	-	-	367
Trail rebates	-	-	4
Retained revenue profit for year	-	-	810
Dividend paid			(213)
At 30th June 2017	21,573	56,908	25,865

	Share Premium account £'000	Special Reserve £'000	Retained earnings £'000
COMPANY			
At 30th June 2016	21,573	56,908	10,083
Increase in investment holding gains	-	-	12,076
Net gains on realisation of investments	-	-	2,739
Gain on foreign currency	-	-	367
Trail rebates	-	-	4
Retained revenue profit for year	-	-	809
Dividend paid			(213)
At 30th June 2017	21,573	56,908	25,865

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

15. RESERVES CONTINUED

The components of retained earnings are set out below:

	30th June 2017 £'000	30th June 2016 £'000
GROUP		
Capital reserve - realised	**(3,522)**	(6,632)
Capital reserve - revaluation	**28,384**	16,309
Revenue reserve	**1,003**	406
	25,865	10,083
COMPANY		
Capital reserve - realised	**(3,874)**	(6,984)
Capital reserve - revaluation	**28,888**	16,812
Revenue reserve	**851**	255
	25,865	10,083

16. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary share is calculated on net assets of £105,056,000 (2016: £89,274,000) and 71,023,695 (2016: 71,023,695) Ordinary shares in issue at year end.

17. ANALYSIS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

	At 1st July 2016 £'000	Cash flow	Exchange movement	At 30th June 2017 £'000
GROUP				
Cash at bank and on deposit	9,938	3,146	367	**13,451**
COMPANY				
Cash at bank and on deposit	8,521	3,145	367	**12,033**

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Group's investment objective is to produce long-term capital growth. The investment objective is implemented by allocating assets to global investment opportunities through investment in equity, bond, commodity, real estate, currency and other markets. The Group's assets are stated at fair value.

For listed securities, this represents the last traded bid price, or for unit trusts and OEICs, the bid price for dual priced funds, or single price for non-dual priced funds, released by the relevant investment manager.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

Unquoted investments are valued by the Directors at the balance sheet date based on recognised valuation methodologies, in accordance with IPEVC valuation guidelines such as dealing prices or third party valuations where available, net asset values and other information as appropriate.

The holding of securities, investing activities and associated financing undertaken pursuant to this objective involve certain inherent risks. Events may occur that would result in either a reduction in the Group's net assets or a reduction of potential revenue profits available for dividend. As an investment trust, the Group invests in securities for the long term. Accordingly it is, and has been throughout the year under review, the Group's policy that no short-term trading in investments or other financial instruments shall be undertaken.

The main financial instrument risks arising from the Group's pursuit of its investment objective are market risk (comprising price risk, currency risk, and interest rate risk), liquidity risk and credit risk. The Board has reviewed and agreed policies for managing each of these risks, which are unchanged from the previous year, and which are summarised below.

Note 18 (h) sets out a summary of the Group's financial assets and liabilities by category.

The only difference between the Group and the Company's financial assets is the Company's investment in subsidiary, which is held at net asset value. The subsidiary's assets comprise cash.

(a) Market Risk

The fair value or future cash flows of a financial instrument held by the Group may fluctuate because of changes in market prices of investments held by the Group.

This market risk comprises three elements - currency risk (see note 18 (b)), interest rate risk (see note 18 (c)), and other price risk (see note 18 (d)). The Board reviews and agrees policies for managing these risks. The Group's Investment Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(b) Currency Risk

A proportion of the Group's portfolio is invested in investments denominated in a foreign currency and movements in exchange rates can significantly affect their Sterling value.

Furthermore, a proportion of the Company's investments in Other Collective Investment Schemes may have underlying currency exposure through their investments and, as a result, the Company may be subject to further indirect currency movement.

Management of the risk

The Investment Manager does not normally hedge against foreign currency movements affecting the value of the investment portfolio, but takes account of this risk when making investment decisions. In addition, the Directors may authorise the Investment Manager to hedge currency risk or increase it in appropriate circumstances.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(b) Currency Risk continued

Foreign currency exposure

During the year under review, the Investment Manager did not enter into any forward currency contracts. (2016: £nil).
The fair values of the Group's assets that have foreign currency exposure at 30th June 2017 are shown below.

	2017 US Dollars £ '000	2017 Euros £ '000	2017 Japanese Yen £ '000	2017 Total £ '000	2016 US Dollars £ '000	2016 Euros £ '000	2016 Japanese Yen £ '000	2016 Total £'000
Investment at fair value through profit or loss	4,422	3,364	2,694	10,480	1,142	2,780	2,170	6,092
Cash at bank and short-term deposits	9,320	-	34	9,354	8,138	-	-	8,138
Total net foreign currency exposure	13,742	3,364	2,728	19,834	9,280	2,780	2,170	14,230

The above table represents the direct assets denominated/dealt in US Dollars, Japanese Yen and Euros. The Company holds investments which are denominated in sterling which have significant currency exposure. These assets are not included in the above table. The underlying currency exposure will be significantly greater.

Foreign currency sensitivity

During the financial year sterling depreciated by 2.83% against the US dollar (2016: depreciated 15.0%), depreciated by 5.35% against the euro (2016: depreciated 14.8%) and appreciated by 6.42% (2016: depreciated 28.7%) against the Japanese Yen.

Applying a 10% change in rate to the exposures listed above would affect net assets and total return as follows:

	2017 US Dollars £ '000	2017 Euros £ '000	2017 Japanese Yen £'000	2017 Total £ '000	2016 US Dollars £ '000	2016 Euros £ '000	2016 Japanese Yen £ '000	2016 Total £'000
If exchange rates appreciated by 10%	(1,249)	(306)	(245)	(1,800)	(844)	(253)	(197)	(1,294)
If exchange rates depreciated by 10%	1,527	374	299	2,200	1,031	309	241	1,581

It should be noted that the above illustration is based on the currency denominated/dealt assets noted above at the year end. Exposures may be subject to change during the year as a result of investment decisions.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(c) Interest Rate Risk

The Group will be affected by interest rate changes as it holds cash. The majority of the Group's investments are equity based and are not therefore subject to interest rate risk. However, interest rate changes will have an impact on the valuation of equities, although this forms part of other price risk, which is considered separately below.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. The Group currently has no gearing.

The Group may from time to time hold significant cash balances. Short-term borrowings are used when required. Cash balances are invested in the market.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

Interest rate exposure

The exposure, at 30th June, of financial assets and liabilities to interest rate risk is shown by reference to:

- floating interest rates - when the rate is due to be re-set;
- fixed interest rates - when the financial instrument is due for repayment.

Group	**2017 In 1 year or less £ '000**	**2017 Greater than 1 year £ '000**	**2017 Total £'000**	2016 In 1 year or less £ '000	2016 Greater than 1 year £ '000	2016 Total £ '000
Exposure to fixed interest rates:						
Unquoted loan	-	250	250	-	-	-
Exposure to floating interest rates:						
Cash at bank	13,451	-	13,451	9,938	-	9,938
Total exposure to interest rates	13,451	250	13,701	9,938	-	9,938

The above year end amounts are not representative of the exposure to interest rates during the year, since the level of cash held during the year will be affected by the strategy being followed in response to the Board's and Investment Manager's perception of the market prospects and the investment opportunities available at any particular time.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(c) Interest Rate Risk continued

Interest receivable and payable are at the following rates:

- Interest received on cash balances, or paid on bank overdrafts is at a margin above or below LIBOR or its foreign currency equivalent (2016: same).

Interest rate sensitivity

The following table illustrates the sensitivity of the profit before taxation for the year and equity to an increase or decrease of 50 (2016: 50) basis points in interest rates in regard to the Group's monetary financial assets which are subject to interest rate risk.

The sensitivity analysis is based on the Group's monetary financial instruments held at each balance sheet date, with all other variables held constant.

Group	**Increase in rate 2017 £ '000**	**Decrease in rate 2017 £ '000**	Increase in rate 2016 £ '000	Decrease in rate 2016 £ '000
Effect on total return to equity	67	(28)	50	(10)

(d) Other Price Risk

The Group's exposure to other price risk comprises mainly movements in the value of its equity related investments.

A Schedule of the Twenty Largest Investments is given on page 11. Investments are valued in accordance with the Group's accounting policies. Uncertainty in future valuations of the Group's investments arises as a result of future changes in the market prices of the Group's listed equity investments and its unit trust and OEIC investments, and the effect changes in exchange rates may have on the sterling value of the investments.

Management of the risk

In order to manage this risk the Directors meet regularly with the Investment Manager to compare the performance of the portfolio against the IA sector benchmark and market indices. Given the Group's investment objective, the Group does not hedge against the effect of changes in the underlying prices of the investments.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(d) Other Price Risk / *Management of the risk* continued

The Group had no derivative instruments at the year end.

The unquoted investments are held at Directors' valuations. All valuations are reviewed by the Investment Manager, the Group's Audit Committee and subsequently recommended to the Board for review.

Other price risk exposure

The Group's exposure to other changes in market prices at 30th June on its quoted investments, which are all equities or equity related, was as follows:

	2017	2016
	£ '000	£ '000
Fixed assets quoted investments at fair value through profit or loss	86,920	77,887

The Group's exposure to other changes in prices at 30th June on its unquoted investments was as follows:

	2017	2016
	£ '000	£ '000
Fixed asset unquoted equity investments at fair value through profit or loss	4,810	1,580

Analysed as:

	2017	2016
	£ '000	£ '000
Equities	**4,560**	1,580
Loan	**250**	-
	4,810	1,580

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(d) Other Price Risk continued

Other price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 10% in the fair values of the Group's investments. The sensitivity analysis is based on the Group's investments at each balance sheet date, with all other variables held constant.

	Increase in fair value 2017 £'000	**Decrease in fair value 2017 £'000**	Increase in fair value 2016 £'000	Decrease in fair value 2016 £'000
Effect on total return and on net assets	9,173	(9,173)	7,947	(7,947)

(e) Liquidity Risk

Liquidity risk is the possibility of failure of the Group to realise sufficient assets to meet its financial liabilities, including outstanding commitments associated with financial instruments.

The Group's assets mainly comprise securities which can be readily sold to meet future funding commitments, if necessary. Unlisted securities, which carry a higher degree of liquidity risk form less than 5% (2016: 2%) of the investment portfolio.

All financial liabilities of the Group at the balance sheet date are payable within three months.

Management of the risk

The liquidity risk is managed by maintaining some cash or cash equivalent holdings in order to meet investment requirements and other liabilities as they fall due. At the year end the Group had liquid resources of £105 million (2016: £89 million).

This included £13.4 million (2016: £9.9 million) of cash and money market instruments and £83.6 million (2016: £75.1 million) of listed/daily priced investments.

Liquidity risk exposure

A summary of the Group's financial liabilities is provided in note 18 (h). The Group has sufficient funds to meet these financial liabilities as they fall due.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

18. **FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED**

(f) Credit Risk

Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits.

Management of the risk

Credit risk is managed as follows:

- investment transactions are carried out with approved brokers, whose credit standard is reviewed periodically by the Investment Manager.

- cash at bank is held only with an authorised list of banks, periodically reviewed by the Board.

Credit risk exposure

The maximum exposure to credit risk at 30th June 2017 was £13,536,000 (2016: £9,993,000), comprising:

	2017	2016
	£'000	£'000
Accrued income	70	52
Tax recoverable	15	3
Cash and cash equivalents	13,451	9,938
	13,536	9,993

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered to be low.

(g) Fair Values of Financial Assets and Financial Liabilities

The Group's financial assets and financial liabilities are stated at their fair values at the year end. The fair value of listed shares and securities and unit trusts and OEICs is based on last traded market bid prices. The fair value of unlisted shares and securities is based on Directors' valuations as detailed in the accounting policies (note 1(g)).

(h) Summary of Financial Assets and Financial Liabilities by Category

The carrying amounts of the Group's financial assets and financial liabilities, as recognised at the balance sheet date of the reporting periods under review, are categorised as follows:

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(h) Summary of Financial Assets and Financial Liabilities by Category continued

	2017 £ '000	2016 £ '000
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	**91,730**	79,467
Current assets:		
Debtors (due from brokers, dividends receivable, accrued income and other debtors)	**70**	52
Tax recoverable	**15**	3
Cash and cash equivalents	**13,451**	9,938
	105,266	89,460
FINANCIAL LIABILITIES		
Measured at amortised cost:		
Creditors: amounts falling due within one year		
Accruals	**210**	186
	210	186

Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

- Level 1 – valued using quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The tables overleaf set out fair value measurements of financial instruments at the year end, by the level in the fair value hierarchy into which the fair value measurement is categorized.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(h) Summary of Financial Assets and Financial Liabilities by Category continued

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AT 30TH JUNE 2017

	Level 1 £ '000	Level 2 £ '000	Level 3 £ '000	Total £ '000
Equities and funds	83,556	3,364	4,810	91,730

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AT 30TH JUNE 2016

	Level 1 £ '000	Level 2 £ '000	Level 3 £'000	Total £ '000
Equities and funds	75,108	2,779	1,580	79,467

The valuation techniques used by the Company are explained in the accounting policies on page 49. There have been no transfers during the year between Levels 1 and 2.

The level 2 investment is an offshore fund.

A reconciliation of fair value measurements in Level 3 is set out below.

LEVEL 3 FINANICAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AT 30TH JUNE

	2017 **£ '000**	2016 £ '000
Opening fair value	**1,580**	1,563
Movement in classification of investments:		
Purchases at cost	**3,230**	137
Sales proceeds	-	(113)
Total gains or losses included in gains on investments in the statement of comprehensive income		
- on sold assets	-	(126)
- on assets held at the end of the year	-	119
Closing fair value	**4,810**	1,580

Level 3 valuations comprise the unlisted investments held at Directors' valuation.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2017

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(h) Summary of Financial Assets and Financial Liabilities by Category continued

Level 3 financial assets at fair value through profit or loss at 30th June continued

The Level 3 unquoted portfolio represents approximately 5% of the net asset value of the Group. Fair value has been established using recognised valuation techniques in accordance with IPEVC guidelines. Two investments represent more than 0.5% of the Group's net asset value. One investment is valued at recent transaction value and the valuation of the other investment is dependent, mainly on its current level of earnings. A 10% increase or decrease in its earnings would not have a material impact on the value of this investment. The other investment's valuation is less dependent on current earnings but more from the benefits of capital investment and obtaining full benefit from recent acquisitions.

(i) Capital Management

The Group and the Company's capital is as disclosed in the Balance Sheets and is managed on a basis consistent with its investment objective and policies, as disclosed in the Strategic Report on pages 13 and 14. The principal risks and their management are disclosed in the Strategic Report.

19. RELATED PARTIES

Since 1st January 2010 Brompton Asset Management LLP ('Brompton') has acted as Investment Manager to the Company. This relationship is governed by an agreement dated 23rd December 2009. Details of the investment management fee payable can be found on page 20.

Mr Duffield is the senior partner of Brompton Asset Management Group LLP, the ultimate parent of Brompton. Mr Duffield owns the majority (59.14%) of the shares in the Company.

The total investment management fee payable to Brompton for the year ended 30th June 2017 was £622,000 (2016: £509,000) and at the year-end £162,000 (2016: £138,000) was accrued. No performance fee was payable in respect of the year ended 30th June 2017 (2016: £nil).

The Group's investments include seven funds managed by Brompton or its associates totalling £18,510,000 (2016: £15,963,000). No investment management fees were payable directly by the Company in respect of these investments.

Details of Directors fees paid may be found on page 32.

Subsequent to the Investment Manager's initial decision to invest, two of the Company's directors have been appointed directors of investee companies. Mr Howard-Spink was the chairman of Immedia Group Plc and Mr Gregson is a director of, and has an interest in, All Star Leisure (Group) Limited.

20. COMMITMENTS AND CONTINGENCIES

There are no other commitments or contingencies at the reporting date (2016: £nil).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2017 **Annual General Meeting of New Star Investment Trust plc ("Company")** shall be held at Tenth Floor, 1 Knightsbridge Green, London, SW1X 7QA commencing at 11.00 am on Thursday 16th November 2017 for the following purposes:

ORDINARY BUSINESS

To consider, and if thought fit to pass, the following Resolutions which are proposed as Ordinary Resolutions of the Company:

1. To receive and adopt the Company's Report and Accounts for the year to 30th June 2017 together with the Report of the Auditors therein.
2. To receive and approve the Annual Directors' Remuneration Report for the year to 30th June 2017.
3. To approve the final dividend of 0.80p per Ordinary share in respect of the year to 30th June 2017.
4. To re-elect Mr Geoffrey Howard-Spink, retiring in accordance with the UK Corporate Governance Code, as a Director.
5. To re-elect Mr John Duffield, retiring in accordance with the Listing Rules, as a Director.
6. To elect Mr David Gamble as a Director.
7. To re-appoint Ernst & Young LLP as Auditors until the conclusion of the next general meeting at which accounts are laid before members, and authorise the Directors to determine the Auditor's remuneration.

SPECIAL BUSINESS

To consider, and if thought fit to pass, Resolutions 8 and 9 as Ordinary Resolutions of the Company, and Resolutions 10 to 13 as Special Resolutions of the Company:

8. To receive and adopt the Directors' Remuneration Policy as set out in the Directors' Remuneration Report.

9. That the Directors be generally and unconditionally authorised under section 551 of the Companies Act 2006 ("Act") to exercise all the powers of the Company to allot Ordinary shares in the capital of the Company ("Shares") and/or grant rights to subscribe for or convert any security into Shares up to an aggregate of:

   a) £106,500 in nominal value of such Shares; and
   b) a further £106,500 in nominal value of Shares in connection with an offer by way of a rights issue:

      (i) to holders of Ordinary shares in proportion (or as nearly may be) to their existing holdings; and
      (ii) to holders of other equity securities as required by the rights of those equity securities or otherwise as the Directors may consider necessary;

subject to such exclusions restrictions or other arrangements as the Directors consider necessary or appropriate in relation to fractional entitlements, record dates, treasury shares, or any legal or regulatory or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

unless otherwise renewed varied or revoked the authorities hereby granted shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2018 or fifteen months after the passing of this Resolution save that the Company may before such expiry enter into offer(s) or agreement(s) which shall or may require Shares to be allotted after such expiry and the Company may allot Shares in pursuance of such offer(s) or agreement(s) as if the authorities hereby granted had not so expired.

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS CONTINUED

10. That subject to the passing of Resolution 8 above the Directors be generally and unconditionally authorised pursuant to section 570 of the Companies Act 2006 ("Act") to allot equity securities (as defined in section 560 of the Act) as if section 561 of the Act did not apply to such allotment, provided that unless otherwise renewed varied or revoked the authority herby granted shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2017 or the date fifteen months after the passing of this Resolution, and shall be limited to:

   (i) the allotment of equity securities up to an aggregate nominal amount of £35,511 (being approximately 5% of the capital currently in issue); and
   (ii) the allotment of equity securities at a price (excluding expenses) not less than the net asset value per share for the business day immediately preceding such allotment, or if earlier the agreement to allot;

Save that the Company may enter into offer(s) or agreement(s) which shall or may require Shares to be allotted after such expiry and the Company is authorised to allot Shares in pursuance of such offer(s) or agreement(s) as if the authorities hereby granted had not so expired.

11. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("Act") to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares in the capital of the Company upon such terms and in such manner as the Directors shall determine provided that:

   (i) the maximum aggregate number of Ordinary shares authorised hereby to be purchased shall be 10,646,450, being approximately 14.99% of the Ordinary share currently in issue;
   (ii) the minimum price which may be paid per Ordinary share shall be £0.01;
   (iii) the maximum price (exclusive of expenses) which may be paid per Ordinary share shall be an amount equal to the highest of (a) 5% above the average of the mid-market quotations for Ordinary shares as shown on the London Stock Exchange Daily Official List or website on the five business days immediately preceding the day of purchase and (b) in the event of a programme of buybacks the higher of the last independent trade and the highest current independent bid price;
   (iv) at the discretion of the Directors any Ordinary shares bought back under this authority may be cancelled or placed in treasury;
   (v) unless otherwise renewed varied or revoked the authority hereby granted shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2018 or the date fifteen months after the passing of this Resolution save that the Company may enter into offer(s) or agreement(s) which shall or may require Shares to be bought back after such expiry and the Company may buy back Ordinary shares pursuant to such offer(s) or agreement(s) as if the authority hereby granted had not so expired.

12. That any Ordinary shares held by the Company in treasury, whether as a result of being bought back in accordance with the authority conferred by Resolution 10 above or otherwise may, at the discretion of the Directors, be cancelled or resold or allotted from treasury, provided that they shall not be resold or allotted at a price below the last published net asset value prior to re-issue.

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS CONTINUED

13. That General Meetings of the Company, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

By order of the Board
Maitland Administration Services Limited
Corporate Secretary
15th September 2017

Registered Office: 1 Knightsbridge Green, London SW1X 7QA
Registered in England & Wales No: 3969011

NOTICE OF ANNUAL GENERAL MEETING

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. This Report and Accounts is circulated to holders of Ordinary shares, all of whom are entitled to attend, speak and vote at the above Annual General Meeting ("AGM").

2. Any member entitled to attend and vote at the AGM is also entitled to appoint one or more proxies to attend, speak and vote at the AGM on their behalf, provided that if multiple proxies are appointed they must be appointed in respect of different Ordinary shares. Proxies need not be members of the Company. A form of proxy is sent to members with the Report and Accounts and must be received by the Company's Registrar: Equiniti Registrars, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA duly completed in accordance with the instructions on the form of proxy not less than 48 hours before the time of the meeting, or in the case of an adjourned meeting not less than 24 hours before the time of the adjourned meeting. If multiple proxies are being appointed the form of proxy should be copied and a separate form of proxy completed, identifying the different Ordinary shares each represents, stating that it is in respect of a multiple proxy appointment, for each proxy and have an original signature of the member making the appointment(s). Completion and return of form(s) of proxy will not preclude a member from attending, speaking and voting in person at the AGM.

3. To appoint proxies or give/amend an instruction to an appointed proxy via the CREST system, the CREST message must be received by the issuer's agent, Equiniti Registrars (ID: RA19) by 11.00am on 14th November 2017. The time of receipt will be taken as the time (as determined by the timestamp applied by the CREST Applications Host) that the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST Sponsored Members, and CREST Members who have appointed voting service providers, should refer to their relevant sponsor or voting service provider for advice on appointing proxies via CREST. Regulation 35 of the Uncertificated Securities Regulations 2001 will apply to all proxy appointments sent via CREST. Members should refer to the CREST Manual (available at www.euroclear.com) for information on CREST system limitations, procedures and timing.

4. A person who is not a member of the Company and receives this notice of meeting as a person nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 ("Act") does not have a right to appoint proxies. However, if a nominated person has an agreement with the member who nominated them, the nominated person may have a right to be appointed as a proxy or a right to instruct the member as to the exercise of voting rights at the AGM.

5. Shareholders entered on the Register of Members of the Company by 6.30pm two days before the time for the meeting, or by 6.30pm two days prior to an adjourned meeting, are entitled to attend and vote at the AGM. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any shareholders to attend and vote at the AGM.

6. Under Section 319(A) of the Act the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the AGM unless answering the question would interfere unduly with the preparation for the meeting, would involve the disclosure of confidential information, an answer has already been given on a website, or is undesirable in the interests of the Company or good order of the AGM.

7. Members may not use any electronic address provided in this notice or any related document(s) to communicate with the Company for any purpose other than as specifically stated.

NOTICE OF ANNUAL GENERAL MEETING

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING CONTINUED

8. As at 7th September 2017, the latest practicable date prior to the publication of this notice, the issued capital carrying voting rights comprised 71,023,695 Ordinary shares. On a poll, each Ordinary share is entitled to one vote, and accordingly at 7th September 2017 the total voting rights attaching to Ordinary shares in issue was 71,023,695.

9. Information regarding the AGM, including the information required by Section 311A of the Act, can be found on the Company's website at www.nsitplc.com

10. No Director has a service agreement with the Company. Directors' letters of appointment will be available for inspection at the AGM venue from 15 minutes before the meeting and until conclusion of the meeting.

11. Members' sufficient shares are entitled, pursuant to Sections 388 and 388A of the Act, to include a Resolution to be dealt with in the business of the AGM and to require the Company to give notice of that Resolution.